

80 00450

EVALUATION REPORT:

AFFIRMATIVE MARKETING

SEPTEMBER 1974

INSTITUTE OF GOVERNMENTAL
STUDIES LIBRARY

MAR 17 1980

UNIVERSITY OF CALIFORNIA

PROGRAM PLANNING
AND EVALUATION

SAN FRANCISCO AREA OFFICE
SAN DIEGO INSURING OFFICE



REGION
REGION **IX**

Fed

INSTITUTE OF GOVERNMENTAL STUDIES LIBRARY
FOR PHILOSOPHY HALL
UNIVERSITY OF CALIFORNIA
BERKELEY, CA 94720

EVALUATION REPORT:

THE IMPACT AND PERFORMANCE

OF

AFFIRMATIVE FAIR HOUSING MARKETING

IN REGION IX

Prepared Jointly By: Office of Program Planning
& Evaluation
San Francisco Area Office
San Diego Insuring Office
Region IX

SEPTEMBER 1974

80 00450

INSTITUTE OF GOVERNMENTAL STUDIES LIBRARY
109 PHILOSOPHY HALL
UNIVERSITY OF CALIFORNIA
BERKELEY, CA 94720

TABLE OF CONTENTS

	<u>Page No.</u>
 <u>OVERVIEW TO THE EVALUATION</u>	
Background and Purpose	1
Organization of the Report	2
Summary of Major Findings and Conclusions	2
Recommendations	4
Methodology	6
The Affirmative Marketing Program	7
 <u>CHAPTER I IMPACT OF THE PROGRAM ON REGION IX</u>	
Summary	1
Methodology	3
Findings and Analysis	5
Multifamily Projects	5
Single Family Subdivisions	13
 <u>CHAPTER II SAN FRANCISCO AREA OFFICE PERFORMANCE EVALUATION</u>	
Introduction	1
Summary of Findings and Conclusions	2
Summary of Recommendations	4
Methodology	5
Findings and Conclusions	7
Recommendations	32
 <u>CHAPTER III SAN DIEGO INSURING OFFICE PERFORMANCE EVALUATION</u>	
Introduction	1
Background and Purpose	1
Methodology	2
Summary of Findings	2
Organization of the Report	2
Findings and Conclusions	3
Individual Affirmative Marketing Plans	3
Master Affirmative Marketing Plan	16
HUD Performance	25
Recommendations	27
 <u>Appendix - Regression Results and Tables</u>	



Digitized by the Internet Archive
in 2025 with funding from
State of California and California State Library

<https://archive.org/details/C123318947>

OVERVIEW

OVERVIEW

OVERVIEW TO THE EVALUATION
OF
AFFIRMATIVE FAIR HOUSING MARKETING
IN REGION IX

BACKGROUND AND PURPOSE

This evaluation was undertaken to determine: (1) The effectiveness of the implementation and (2) the impact of the Affirmative Fair Housing Marketing Program in Region IX. It grew out of concerns expressed by the San Francisco and San Diego Field Offices as to how the program was working in their areas and from a complementary concern by the Assistant Regional Administrator for Equal Opportunity--initially expressed as one of the Regional EO PMS goals for 1974--as to the impact the program was having throughout the Region. In the case of San Diego, there was also a great interest in determining the relative effectiveness of its Area-Wide Affirmative Marketing Plan, which was the first voluntary plan of its kind in Region IX, as well as being one of only several such plans in the country.

As a result of these interests and concerns, a three part evaluation was developed. Both the San Francisco and San Diego Offices, with the assistance of the Regional Program Planning and Evaluation staff, undertook evaluations of the performance of Affirmative Fair Marketing in their own insuring jurisdictions. At the same time, PP&E, in cooperation with the Office of the ARA for Equal Opportunity, conducted a study of the impact Affirmative Fair Marketing was having throughout Region IX. Members of the Regional EO staff participated in the design and execution phases of the studies until detailed full-time to the Title VIII Task Force. Taken together, these studies were intended to determine:

- o What impact Affirmative Marketing practices are having in Region IX.
- o What factors account for any differences in the impact Affirmative Marketing may be having on different racial groups.
- o Based upon the performance of HUD staff and builder/developers, what changes, if any, should be made in the administration of the program in order to better achieve the Program's goal of promoting a like range of choices in housing for individuals regardless of race, color, religion, or national origin.
- o Whether or not area-wide Affirmative Fair Marketing agreements are more effective than individual fair marketing plans, and how the Region should proceed with the development of further area-wide Affirmative Fair Marketing plans.

ORGANIZATION OF THE REPORT

This report is organized along the lines of the three separate but coordinated studies. The first chapter deals with the impact of Affirmative Fair Marketing in Region IX. The second and third chapters, which go a long way toward explaining the impact results, present the performance reports of the San Francisco and San Diego Offices, including recommendations for actions to be taken by those offices.

This Overview Section highlights and synthesizes the major findings resulting from these studies as well as presenting recommendations for regional action. This Overview also presents brief background pieces on the nature of the Affirmative Fair Marketing Program and the basic methodology used in carrying out these evaluations.

SUMMARY OF MAJOR FINDINGS AND CONCLUSIONS

The major results emerging from these studies are that:

- o Data analyzed by reliable statistical techniques indicates that Affirmative Fair Marketing has had no measurable effect or noticeable influence upon the racial composition of single family subdivisions or multifamily projects subject to its regulations.
- o Developers have done very little to alter their practices in response to Affirmative Fair Marketing.
- o Monitoring and enforcement by HUD, as well as provision of technical assistance to developers, has been minimal and largely ineffective.
- o The San Diego area-wide agreement, or "Master AMP," has, so far, not fulfilled either the promise of its initial favorable publicity or the goals established in the agreement.

The Region-wide impact evaluation indicates very clearly that the presence of Affirmative Fair Marketing has not affected the racial composition of subdivisions and projects in any statistically significant way. Rather it identifies several other dominating forces at work which largely explain the racial composition of single and multifamily developments:

- o The single strongest determinant of the racial distribution within a single family subdivision or multifamily project is its location. If a development is located within a pre-dominantly white area, its composition will be essentially white; likewise, if it is located in a predominately Black or Spanish area it will reflect the composition of that area. This is particularly important in light of further findings that:
 - oo HUD-processed single family subdivisions tend to be located in whiter, more affluent areas, whereas;
 - oo HUD-processed multifamily projects using a subsidy are located in areas of greater minority, and particularly Black population than exist elsewhere in most field offices' jurisdictions or the Region as a whole.
- o Blacks and Spanish use, or are able to make use of, the interest subsidy programs in quite different ways:
 - oo Where subsidy is involved in single family subdivisions, the participation of Spanish is increased significantly while Black participation increased hardly at all.
 - oo On the other hand, HUD-processed multifamily projects serve approximately twice as many Blacks and only half as many Spanish as are present in the neighborhood where they are located.

As noted in the Impact Chapter of this Report, it is not surprising that these forces are at work when one considers where land at buildable costs is available for single family subdivisions, or the income levels of the various groups which make it possible for them to participate or not, or where markets exist for multifamily projects assisted by subsidies.

Neither is it surprising that Affirmative Marketing has not had any impact on changing the racial composition of projects and subdivisions when the record of minimal performance presented in the San Francisco and San Diego studies is reviewed. To note just a few highlights from these reports:

- o The "goals" set by developers do not differ appreciably from the existing racial composition of the Census Tracts within which a project or subdivision is to be located.
- o While developers have expended considerable time in developing their (paper) Affirmative Fair Marketing plans, they have made little or no change in such critical implementation practices as marketing and outreach.

- o Developers have commonly made no changes in sales forces to correct racial imbalances or to provide training to their sales staffs in Affirmative Marketing.
- o HUD is not providing sufficient guidance or assistance to developers in terms of meaningful goal setting or marketing outreach activities.
- o HUD does not have an adequate system for monitoring compliance, and that monitoring which has occurred has been spotty and ineffective.
- o The San Diego "Master AMP" has resulted in reduced plan preparation costs and processing time; it also has the prospective advantage of extending Affirmative Marketing coverage to conventionally produced housing. But to-date in San Diego, the builder group has not implemented its responsibilities, nor did the area-wide agreement provide a sufficient budget, work plan or staff to assist it in doing so. In addition, HUD has not followed up aggressively to correct these deficiencies. As one official noted after reviewing a draft of the findings, "the results to-date look like a year off for bad behavior."

RECOMMENDATIONS

In order to offset traditional segregated housing patterns and the concomitant effects of location, income and subsidy on the one hand and something less than forceful implementation of the Program on the other, the Affirmative Fair Marketing Program would have to be much more aggressively pursued if the goal of increasing housing opportunities for all racial and ethnic groups is to be realized. Decision-makers will probably want to consider, however, whether such increased efforts are desired or necessary and whether they are worth the costs to HUD and builders that would inevitably be involved in undertaking them. Affirmative Marketing is an administratively instituted program, designed to implement a portion of the 1968 Fair Housing Law. Another program, perhaps one emphasizing the enforcement of non-discrimination in FHA insurance programs plus HUD public service advertising directed at all racial and economic groups, might very well more effectively implement the goal of Fair Housing. The last questions and suggestions go beyond the scope of this evaluation, but they are clearly raised by the findings of the study.

Accordingly, the following recommendations, based largely upon several of those suggested in the San Francisco and San Diego performance evaluations, are proposed for regional adoption as means of improving the effectiveness of the present Affirmative Fair Marketing Program in Region IX. Even these, of course, may not be sufficient to achieve the goals of the Program, but unless actions of this nature are attempted, Affirmative Fair Marketing does not appear to have even a fighting chance of changing present practices and patterns and thus further increasing minority participation in HUD-processed housing programs located in non-minority areas.

1. Goals and Standards. Each field office, working with the ARA for Equal Opportunity, and using the income-by-race data available from the Census Bureau, should develop "recommended" goals or minimal standards for each housing market and/or county, whichever is more appropriate. These goals, which can then be made more specific for particular neighborhoods as appropriate, should be provided to developers for their guidance and assistance. Developers should be given the option of adopting HUD's "recommended" goals or proposing other goals with supporting justification.
2. Monitoring. Each field office, with the assistance of the ARA for Equal Opportunity, should review and modify its monitoring system in order to insure that (a) the Equal Opportunity staff is promptly notified as projects move into occupancy and occupancy reports are received, and (b) adequate field monitoring occurs to insure that the plan is being properly implemented. As part of this system, alternative actions should be developed for builders who do not perform and these should be made clear to all applicants in advance of subdivision or project approval.
3. Model Advertisements. Unless these have recently become available from Central Office, the ARA for Equal Opportunity, working with the field office Equal Opportunity staffs and with the Regional Public Affairs Officer, should develop a series of effective model advertisements which can be used directly or as models by developers in minority and general newspaper outreach.
4. Training. The ARA for Equal Opportunity, working with field office staff and the Regional Training Director, should develop and present a prototype training program on Affirmative Marketing for sales staff and developers in each field offices' jurisdiction. The responsibility for this training (which is described in more detail in the San Diego recommendations) would then be assumed by the individual developers, or the local builders association in the case of a "Master AMP."
5. Processing. In order to help make the developers proposed Affirmative Marketing Plans as relevant as possible to their sales programs, the ARA for Equal Opportunity should consider recommending to Central Office moving submission of single family Affirmative Fair Marketing Plans from ASP #1 to ASP #6, with approval moving to ASP #9. While some few homes may be presold prior to ASP #9, the advantages gained by having the developer prepare his Affirmative Marketing Plan after he has firmed up his development concept (i.e., after ASP #6) far outweigh any disadvantages that may occur in relation to pre-sales.
6. Dropping Present Requirements. Based on the findings of this evaluation, the ARA for Equal Opportunity should determine whether some of the present requirements of the Affirmative Fair Marketing Program may, in fact, not be more window dressing than substantially useful--i.e., even though developers comply they make little or no difference in increasing minority participation. If such is the case, recommendations should be made to Central Office for requirements which should be dropped or amended.

7. Master AMP. HUD should not enter into area-wide Affirmative Marketing Plans unless the Field Office Director and the ARA for Equal Opportunity are able to determine that:

- o The agreement is being applied to a manageable area (for example, a county including one major city and one builder group as opposed to the San Francisco Bay Area with several population centers, several builder groups and great population diversity).*
- o The agreement provides for adequate staff and budget on the part of the builders group to carry out its provisions.
- o The agreement has a work plan with target dates and goals which will enable both HUD and the builders group to monitor progress.
- o The field office has established a system for providing necessary technical assistance and for monitoring compliance.

Note: Overall responsibility for undertaking and/or monitoring implementation of these or any other recommendations that may be agreed to should rest with the ARA for Equal Opportunity as part of his PMS and should be carried out as part of the Regional Office's Monitoring, Technical Assistance, and Reporting System.

METHODOLOGY

More detailed descriptions of the methodologies employed in carrying out each of the three studies are presented in the respective chapters. In brief, the data for the San Francisco and San Diego performance evaluations was developed through a detailed review of project files as well as through interviews with a large number of developers, sponsors, HUD staff, media representatives and community groups. This information was then analyzed judgementally by HUD staff not involved with the operation of the Affirmative Marketing Program; however, this analysis was then reviewed by Equal Opportunity staff for the purpose of factual and interpretive accuracy. The data for the impact evaluation was developed through a systematic file review of all single and multifamily projects subject to Affirmative Marketing through December 1973. This data was then computer processed and analyzed by the proven statistical technique of multiple regression analysis. Charts and tables on this data were also developed and analyzed judgementally by PP&E and Equal Opportunity staff.

*The area covered by the San Diego Area-wide Agreement is an example of such a manageable area.

THE AFFIRMATIVE MARKETING PROGRAM

The Affirmative Fair Housing Marketing Program was initiated in February 1972. It had as its basic goal "to promote a condition in which individuals of similar income levels in the same housing market area have available to them a like range of choices in housing regardless of the individuals' race, color, religion or national origin." Implementation of the program places responsibility on each applicant builder to: (1) Prepare an individual plan for marketing of housing built under HUD-processed housing programs, specifying goals in terms of racial groups for each new project or subdivision; (2) conduct a marketing program with outreach toward specific minority target groups; (3) train sales staff in Affirmative Marketing; (4) practice equal opportunity and affirmative action hiring for their sales staff; and (5) report on sales or rental progress in achieving the goals outlined in the plan.

The Affirmative Marketing Program also provides for builders to join together in voluntary area-wide Affirmative Marketing Plans, or "Master AMP's." At the time of this study, the only such plan in Region IX, and one of the few in the country, had been negotiated by the San Diego Insuring Office with the San Diego Building Contractors Association. This "Master AMP" provides for Affirmative Fair Marketing coverage of all subdivisions and projects of the signatory builders--whether conventional, VA, or HUD/FHA-processed. It also requires the local builders' group to prepare an area-wide plan on behalf of the signatory builders and carry out many of the functions of the individual type plans. More detail about this area-wide plan is contained in the chapter reporting on and analyzing the San Diego experience with Affirmative Marketing.

It was against this background of what the Affirmative Fair Housing Marketing Program was to provide and how it was to operate that this evaluation was undertaken.

CHAPTER 1

IMPACT OF AFFIRMATIVE FAIR MARKETING IN REGION IX

CHAPTER I

IMPACT OF AFFIRMATIVE FAIR MARKETING IN REGION IX

I. SUMMARY

Simultaneous with the performance evaluations of Affirmative Fair Marketing in the San Diego and San Francisco insuring jurisdictions, a study was made of the impact Affirmative Marketing has had on single family subdivisions and multifamily projects throughout Region IX. The purpose of this impact portion of the evaluation was to determine statistically whether the use of Affirmative Fair Marketing in connection with HUD-processed or insured housing had contributed to the Affirmative Fair Marketing goal of promoting a condition in which individuals of similar income levels in the same housing market area have available to them a like range of choices in housing, regardless of the individual's race, color, religion, or national origin -- having the net effect of improving racial balance.

Has Affirmative Fair Marketing Made a Difference? The major finding from this evaluation of the impact of Affirmative Fair Marketing is that:

Affirmative Fair Marketing has made no difference in the racial composition of the affected single family subdivisions or multifamily projects.

During the course of this analysis, however, several other factors emerged which appear to be important in determining the racial composition of single family subdivisions and multifamily projects:

1. The single strongest determinant of the racial distribution within a subdivision or project is its location. If a project or subdivision is located within a predominately white area, its composition will be essentially white. Likewise, if it is located in a predominately Black or Spanish area, it will reflect the composition of that area. In light of this, the next two findings are particularly important.
2. HUD-processed subdivisions tend to be located in the whiter, more affluent areas of the field offices' jurisdiction and of the Region as a whole.
3. On the other hand, HUD-processed multifamily projects using a subsidy are located in areas of greater total minority, and particularly Black population, than exist elsewhere in most field offices' jurisdiction or the Region as a whole.

4. HUD-processed multifamily projects also serve approximately twice as many Blacks and only half as many Spanish as are present in the neighborhood where they are located.
5. Where subsidy is involved in a single family subdivision, the participation of Spanish is increased significantly (by 16.8 percent) from subdivisions where it is not used, whereas Black participation is increased hardly at all (1.3 percent).

What these findings very strongly indicate is that because of where they are located single family subdivisions and multifamily projects have differing abilities to serve whites as opposed to minorities, and particularly Blacks. Adding to this, Blacks and Spanish use, or are able to make use of, the subsidy programs quite differently, with many more Blacks in multifamily subsidized projects and some more Spanish in the single family subdivisions where interest subsidies for homeownership are used. None of this is surprising considering where land at buildable costs is available for single family development; the income levels of the various groups that makes it possible for them to participate, or not, in these programs; and where markets exist for multifamily projects, particularly when subsidy is involved. What may or may not be surprising--but what is statistically supported--is that Affirmative Fair Marketing has not changed the effect of these factors on the racial composition of the projects and subdivisions subject to its regulations in any significant way.

II. METHODOLOGY

In order to determine the impact of the Affirmative Fair Marketing Program, information was collected on the racial composition of those HUD-processed Section 203(b) and 221(d)(2) single family subdivisions and those HUD-insured Section 207, 221(d)(4) and 236 multifamily projects which had been subject to the Affirmative Marketing Program in Region IX as well as for a "control group" (which were not subject to Affirmative Marketing) of multifamily projects. Information on race and income was also collected on the neighborhoods, market areas and insuring jurisdictions where these subdivisions and projects were located to provide a basis for comparison and analysis of the effect of Affirmative Fair Marketing. Since it was beyond the scope of this study to delineate new neighborhood boundaries for each project and subdivision, the Census Tract was taken as a surrogate for the neighborhood. Limited resources precluded analysis of Census Tracts surrounding the Census Tract in which the project or subdivision was located, which would have given greater breadth to the data. Further, since the 1970 Census counts Spanish surname as white, the study did not address white participation per se.

This information, or data base, was then examined by means of the established statistical technique of multiple regression analysis to determine the effect of Affirmative Fair Marketing, as well as any other factors influencing the racial composition of the affected subdivisions and projects. In the case of the multifamily projects, this analysis was aided by comparing projects that had been subject to Affirmative Fair Marketing regulations with those which had not.

Description of the Data Base

Due to the fact that HUD collects racial distribution information separately for single and multifamily housing, and because of the essential differences in market behavior of both developers and consumers in the rental and home-ownership markets, the programs were considered separately. Accordingly, two separate data bases were developed. Each contained both subsidized and unsubsidized units, and each attempted to cover all geographic areas of the Region.

The multifamily data base consists of all the HUD form 9801's (annual occupancy form required by Housing Management on all multifamily projects in occupancy) available as of June 30, 1973. Because of the relative scarcity of projects subject to Affirmative Fair Marketing as of this time, this data base was supplemented by the final reports for projects completing occupancy between July 1, 1973, and December 31, 1973. Six hundred and ninety four (694) Section 236, 207 and 221(d)(4) projects were reported being in occupancy in Region IX at that time, with data available on 641 of these projects. Forty of these projects were subject to AMP, while 601 were not. The projects were relatively evenly distributed between subsidized and unsubsidized:

<u>Section</u>	<u>Number of Projects</u>
236	334
207	189
221(d)(4)	118
	<u>641</u>

Of the 641 projects, 16 are located in neighborhoods with more than 50 percent Spanish population, 48 with more than 50 percent Black, and 113 with more than 50 percent total minority population. The data base also consists of Census Tract racial information for each project.

The single family data base was formed by all those subdivisions which completed sales during calendar year 1973 and submitted the Final Sales Report form (935.1), which records the number of units sold and the racial characteristics of the buying family. Since this form was initiated for the sole purpose of reporting on the Affirmative Marketing Program, no comparable information exists within HUD on non-Affirmative Fair Marketing single family subdivisions.

Data on a total of 208 subdivisions was collected. An estimate of the universe by the Evaluation Team (including Equal Opportunity staff) suggests that this total represents somewhere between one-half and two-thirds of the reports which should have been submitted by developers. Only 188 of these forms had been adequately completed allowing the racial data to be extracted, while 199 had addresses adequate enough to allow locating the subdivision within the Census Tract. Approximately 22 percent of the tracts had one or more Section 235 units, while 62 percent had one or more Section 203(b) and 221(d)(2) units, and 83 percent of the tracts had one or more conventional and VA units.

Data Analysis Method

Once information on the racial distribution of the neighborhoods and of the projects and subdivisions was collected, it was analyzed in two major ways. First, tables were developed and analyzed supplementally showing comparisons of racial distribution by percentage between the projects/subdivisions and the neighborhoods in which they were located. Second, multiple regression analysis was performed on the data. Multiple regression analysis is a technique which describes the relationship between one variable (the dependent variable)--in this case percent minority in a project or subdivision--and the several other (or independent variables) which might be causing the variation in that percentage. That is, it separates out the effects of other variables that are postulated as possibly influencing the minority population of a project or subdivision from the effects of the Affirmative Fair Marketing Program. For example, multiple regression separates out the effect that a subsidy has had on the minority population of a project or subdivision from the effect that Affirmative Fair Marketing has had. It also computes the percentage of variation in the dependent variable that is explained by those factors which are run against it. In this study, the explanatory power of the equations used was very high--reaching 70 percent for percentage Black in a project. A more complete explanation and description of this process can be found in the Appendix.

III. FINDINGS AND ANALYSIS

A. Multifamily Projects

This section of the report presents the results of the analysis of the multifamily data base. The major findings are that:

- o Affirmative Fair Marketing has had no noticeable effect upon minority participation.
- o Location of the project is the strongest determinant of its racial composition.
- o Subsidized projects are located in areas of much greater total minority, and particularly Black population than exist elsewhere in most field offices' jurisdictions or the Region as a whole.
- o HUD-processed multifamily projects, both subsidized and unsubsidized, serve approximately twice as many Blacks and only half as many Spanish as are present in the neighborhood.

Finding No. 1: The Affirmative Marketing Program has had no noticeable effect upon the racial composition of multifamily projects.

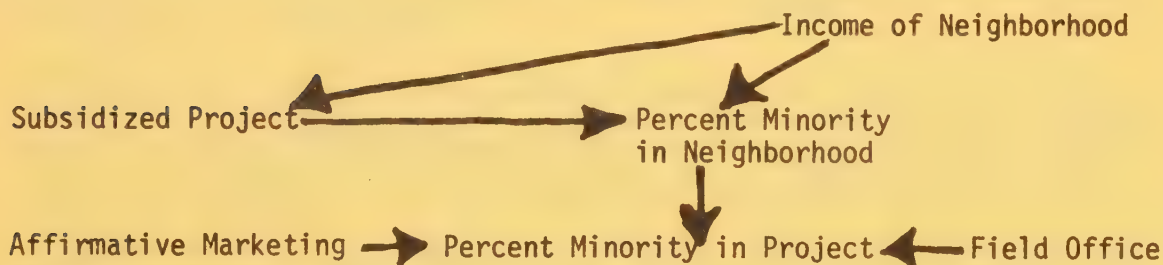
In order to determine whether or not Affirmative Fair Marketing has had any effect upon the racial composition of multifamily projects, a theoretical model was constructed of the relevant variables suggested by a preliminary study of multifamily projects. Variables suggested by knowledgeable field office program staff to have an effect either directly or indirectly were:

- a. Income of the neighborhood.
- b. Percent minority in the neighborhood.
- c. Presence or absence of a subsidy.
- d. Percent minority in the project.
- e. Subject or not subject to affirmative marketing.
- f. Field Office.

Construction of the model in graphic terms is shown in Figure 1 below.

Figure 1

Model to be Estimated: Influence of AMP and Other Forces Upon the Minority Population of Multifamily Projects*



*None of the projects in the study universe were subject to Project Selection Criteria since all had been issued their letter of feasibility before PSC came into effect.

This model was then run with regression analysis, using four different subsets of the model--one with the figures for total percentage minority in the project, and in the neighborhood; a second for Black; a third for Spanish; and a fourth for all "other" minorities. The results of these various analyses, as documented in the Appendix, indicate that the effect of the Affirmative Marketing Program has not been statistically significant. In other words, there is no evidence that the presence or absence of an Affirmative Marketing plan has contributed one way or another to the racial composition of a project--whether it be subsidized or unsubsidized, or whether or not the project is located in a minority area. Subsequent findings will consider the strength or relative importance of the other remaining variables.

Finding No. 2: The location of the multifamily project is the strongest determinant of the extent and type of minority in the project.

Although Affirmative Marketing appeared to have no substantial effect upon the minority participation in a multifamily project, the other variables which were used appear to be powerful explainers of minority participation, accounting for up to 70 percent of the variation of the percent minority in a project, depending upon the particular racial category.

Of all the factors hypothesized to influence the minority population in a project, location in a minority area proved to be the strongest factor. It is four to five times stronger than subsidy, which was the only other variable that had a statistically significant direct effect upon the projects' minority population. Location influences both the extent and the kind of minority that will be found in a project. As the project is located in a neighborhood with a prevalence of a certain minority, so the racial composition of the project reflects that prevalent minority composition. In fact, as the percent "total" minority in the project increases by 1 percent, the percent "total" minority in the project increases by 0.8 percent. For Blacks, the respective rate of change in the project is 1.1 percent; for Spanish it is .7 percent, and for "others" it is .5 percent. Additional documentation and the results of the regression are in the Appendix, Tables 2 through 5. There was considerable variation in the racial composition of projects and subdivisions from office to office; however, these were due to the location of the project within the jurisdiction and the prevalence of subsidies and not attributable to the specific field office jurisdiction. Field office differences were not statistically significant.

Finding No. 3: Subsidized projects are located in areas of greater total minority, and particularly Black population than exist elsewhere in most field offices' jurisdictions or the Region as a whole.

Subsidized projects, as indicated in Table 1, are located in neighborhoods (Census Tracts) with a "total" minority population which is more than double that of unsubsidized neighborhoods or Census Tracts. Furthermore, they are located in areas which have a considerably higher minority population than exists in the Region as a whole. In fact, the results of the regression analysis (as well as common economic sense) suggests that the existence of a subsidy serves to induce builders to locate their projects in minority areas and such non-profit groups as community organizations to build under the program.

Table 1

Ethnic Distribution of Subsidized (236) and Unsubsidized (207 & 221(d)(4)
Projects As Compared to the Census Tract In Which They Are Located

Status	Ethnic Categories---	Total Minority	Black	Spanish	Other
Subsidized Projects		43.4%	25.7%	12.1%	5.5%
Unsubsidized Projects		14.9%	6.5%	4.4%	3.9%
Subsidized Census Tracts		39.2%	14.6%	18.3%	6.3%
Unsubsidized Census Tracts		18.5%	2.8%	9.9%	5.8%
Minority in Region IX		27.7%	6.5%	15.2%	6.0%

Source: Department of Housing and Urban Development: Region IX, Form 9801;
Summary Manpower Indicators, Region IX, Manpower Administration,
U.S. Department of Labor, 1972, from the U.S. Census, 1970.

As can be readily seen in Table 1, when the specific ethnic and racial groups are examined, the differences become more dramatic. The Black percentage in the neighborhoods where subsidized projects are located is five times higher than the unsubsidized neighborhoods (with 14.6 percent to 2.8 percent). In fact, the regression results indicate that if a project is subsidized, it will be located in a neighborhood 7.0 percent Blacker than the unsubsidized and with 5.6 percent more Spanish. This differential is reflected in the actual percentage minority in the project, with unsubsidized projects having 14.9 percent total minority, and subsidized projects having 43.4 percent.

Table 2-A

Percent Total Minority in Neighborhoods Where Projects Are Located,
By Subsidy Status and Field Office

Field Office	Race by Location	% Total Minority of Jurisdiction	% Total Minority in All Neighborhoods Where Projects Are Located	% Total Minority in Neighborhoods Where Subsidized Projects Are Loc.	% Total Minority in Neighborhoods Where Unsubsidized Projects Are Located
Los Angeles AO		33.5%	38.4%	46.6%	16.2%
San Francisco AO		26.5%	29.5%	43.4%	18.4%
Phoenix IO		28.2%	23.3%	31.4%	14.7%
Reno IO		13.9%	18.6%	29.4%	11.9%
Sacramento IO		18.2%	18.0%	24.2%	14.9%
San Diego IO		22.4%	24.7%	26.6%	18.2%
Honolulu IO		64.2%	68.6%	61.6%	79.6%
Region IX		27.7%	29.4%	39.2%	18.5%

Source: Summary Manpower Indicators, Region IX, Manpower Administration,
U.S. Department of Labor, June 1972, from the 1970 U.S. Census,
as adapted by HUD, Region IX's Program Planning & Evaluation, 1974.

The pattern of subsidized projects being located in areas of greater total minority and particularly Black population is not only true for the Region as a whole but for most of its field jurisdictions, as noted in Table 2.

Table 2-B

Percent Black in Neighborhoods Where Projects Are Located,
By Subsidy Status and Field Office

Race by Location	% Black in Jurisdiction	% Black in All Neighborhoods Where Projects Are Located	% Black in Neighborhoods Where Subsidized Projects Are Loc.	% Black in Neighborhoods Where Unsubsidized Projects Are Loc.
Field Office				
Los Angeles AO	10.2%	15.2%	19.2%	4.5%
San Francisco AO	6.7%	12.1%	23.0%	3.3%
Phoenix IO	3.0%	3.4%	5.7%	0.9%
Reno IO	5.7%	11.5%	21.1%	5.6%
Sacramento IO	3.8%	2.9%	5.6%	1.6%
San Diego IO	4.5%	2.5%	2.8%	1.4%
Honolulu IO	1.0%	0.6%	1.0%	0%
Region IX				
	6.5%	9.0%	14.6%	2.8%

Source: Summary Manpower Indicators, Region IX, Manpower Administration, U.S. Department of Labor, June 1972, from the 1970 U.S. Census, as adapted by HUD, Region IX's Program Planning & Evaluation, 1974.

Note: Similar information for Spanish and for "other" minority is in the Appendix, Tables 13 and 14.

The subsidized projects are also located in neighborhoods with a mean income that is substantially lower than those of the unsubsidized projects, with an average of \$8,310 for the subsidized, and \$10,366 for the unsubsidized. This was true of each field office. Generally, the mean income of the field office jurisdiction fell between the mean for the subsidized neighborhoods and the unsubsidized neighborhoods. (For all field offices, see the Appendix, Table 15.

Even the presence of subsidy, however, does not insure that income-eligible minorities are able to participate in HUD assisted projects to the same extent as whites. As the following information developed for the Beneficiaries Study of a year ago (and using data of roughly the same date as for this study) indicates, when comparable groups of whites and minorities eligible for HUD rental assistance subsidies were examined, more whites were served than were not while the reverse was true for both Blacks and Spanish (see Table 3).

Table 3

Participation by Race in Subsidized Rental Housing Projects

	Beneficiaries	Non-Beneficiaries
White, Non-Spanish Speaking	61.0%	48.3%
Black	27.2%	31.0%
Spanish	11.7%	20.7%
Total	100%	100%
Number of Cases in Sample	298	261

Source: Tri-Regional Subsidized Housing Evaluation; Beneficiaries Study, 1973.

Finding No. 4: Blacks in HUD-processed projects are represented nearly twice as much as their incidence in the Census Tract, whereas Spanish are under-represented by about one-half of their presence in the neighborhood.

Perhaps one of the most striking findings in this study is that in the Region IX rental programs, both subsidized and unsubsidized, a much higher proportion of Blacks are served than are present in the neighborhood where the project is located. Conversely, these same projects contain a considerably lower percentage of Spanish speaking than live in the surrounding neighborhood. (The exact cause of this phenomena, which emerged from the data analysis, was beyond the scope of the study to explain.) As indicated in Table 4, while the average Black percentage in the neighborhood of the project is 9.0 percent, the percent Black in the project is 17.2 percent.

However, while the mean percent Spanish in the neighborhood is 14.3 percent, the percent Spanish in the project is only 8.9 percent, which is not only less than the extent of Spanish in the neighborhood, but slightly less than the percent Black in the project. The proportion of "other" minority in the project is also slightly less than in the neighborhood (4.8 percent to 6.1 percent).

Table 4

Racial and Ethnic Distribution of Section 207, 236 and 221(d)(3)(4)
Multifamily Projects As Compared to That of the Census Tract
In Which They Are Located and To the Region

Status	Ethnic and Racial Categories---			
	Total Minority	Black	Spanish	Other
Project	31.0%	17.2%	8.9%	4.8%
Census Tract	29.4%	9.0%	14.3%	6.1%
Minority in Region	27.7%	6.5%	15.2%	6.6%

Source: Department of Housing and Urban Development, Region IX, Form 9801, July 1973. Summary Manpower Indicators, Region IX, Manpower Administration, U.S. Department of Labor, from the U.S. Census, 1970.

The pattern persists, although with different racial concentrations, whether the project is subsidized or not. As indicated in Table 1, while the percent Black in the neighborhood of an unsubsidized location is 2.8 percent, the Black percentage in the project is 6.5 percent. For a subsidized project, the percentage is 14.6 percent and 25.7 percent for the neighborhood and the project respectively. On the other hand, the percent Spanish for a project in an unsubsidized neighborhood is 9.9 percent, and in the project, 4.4 percent. For a subsidized project, Spanish in the neighborhood is 18.3 percent, and in the project, 12.1 percent. This pattern persists from field office to field office.

B. Single Family Projects

This section of the report presents the results of the analysis of the single family data base. The major findings are that:

- o Location of the subdivision has the strongest effect upon its racial composition.
- o Subdivisions tend to be located in the whiter, more affluent areas of a jurisdiction.
- o Subsidy is a strong determinant of the number of Spanish in a subdivision, but not for the number of Blacks.
- o Affirmative Fair Marketing has had little or no effect upon minority participation in HUD-processed subdivisions.

Finding No. 1: The most important determinant of the subdivision's racial distribution is its location.

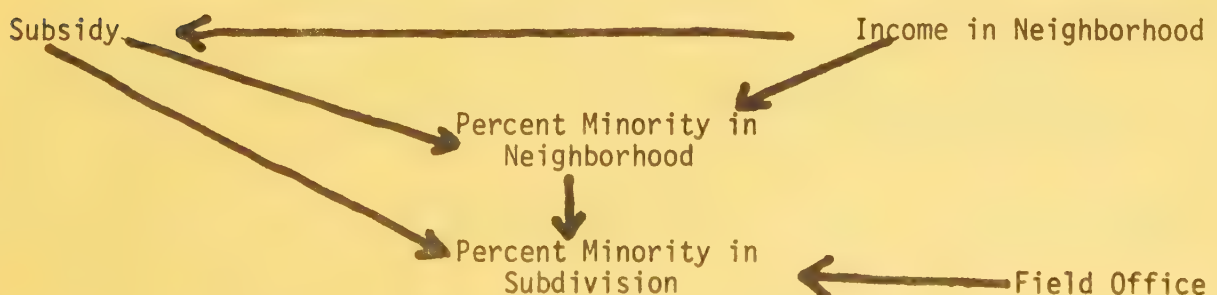
As in the multifamily analysis, a theoretical model was constructed to determine the importance of various factors effecting minority participation, as hypothesized by knowledgeable field staff. Variables suggested to have an effect, either directly or indirectly were:

- a. Income of the neighborhood.
- b. Percent minority in the neighborhood.
- c. Presence or absence of a subsidy.
- d. Percent minority in the subdivision.
- e. Field Office.

Construction of the model in graphic terms is shown in Figure 2.

Figure 2

Model to be Estimated: Single Family Forces on Minority Participation in HUD-Processed Subdivisions



This model was then run with regression analysis using, as in the case of multifamily, four different subsets of the model--"total" minority, Black, Spanish and "other" minority. The results of the multiple regression analysis indicate very clearly, as in the case of multifamily projects, that the most important determinant of the percentage minority in a single family subdivision is its location. This is true for all races, but is most powerful in the case of Blacks. In fact, 51 percent of "total" minority participation can be explained by its location alone. This increases substantially in the case of Blacks to 70 percent, and is reduced slightly in the case of Spanish and "other" minority to 45 percent and 43 percent respectively.

For every percent increase in the percentage of Black in the neighborhood, there was a .8 percent increase in the Black population in the subdivision. For every percent increase in the Spanish population in the neighborhood, there was a .7 percent increase in the Spanish population in the subdivision, and for "other" minority, the differential was an increase of .7 percent in the subdivision. Further details of the regression findings can be found in the Appendix.

The finding that HUD-processed subdivisions reflect the racial composition of the areas where they are located is further supported by the breakdown's shown in Table 5.

Table 5

Racial Distribution of HUD-Processed Subdivisions in Region IX and the Neighborhoods in Which They Are Located and the Market Areas or Counties In Which the Subdivision is Located

Area	Racial Category---			
	Total Minority	Black	Spanish	Other
Subdivision	21.4%	3.7%	12.2%	5.5%
Neighborhood	18.1%	2.3%	12.6%	3.3%
County or Market Area Average	21.6%	3.7%	14.8%	6.0%
Region IX	27.7%	6.5%	15.2%	6.0%

Source: Department of Housing and Urban Development, Region IX, Form 935.1, 1973; Summary Manpower Indicators, Region IX, Manpower Administration, U.S. Department of Labor, June 1972, from the U.S. Census; as adapted by HUD, Region IX, 1974.

Finding No. 2: HUD-processed subdivisions tend to be located in whiter, more affluent areas.

One point that stands out in Table 5 is the smaller percentage of minorities in both the HUD-processed subdivisions and in the neighborhoods where they are located than exist in the Region as a whole. This point is further borne out, with a few exceptions, in Table 6 which indicates that this pattern is generally consistent from jurisdiction to jurisdiction throughout the Region. This is particularly true in the location of subdivisions in relation to areas of Black population. (The major apparent exception in terms of Blacks is the Santa Ana jurisdiction, which is probably explained by the fact that two of the Region's three subdivisions located in areas of more than 90 percent minority population are located there.)

Table 6

Percent Total Minority by Field Office, for Their Jurisdiction,
For the Census Tracts In Which Their Subdivisions Are Located,
And of the Subdivisions Themselves*

	% Total Minority of Jurisdiction	% Total Minority of Census Tracts in Which Sub- divisions Are Located	% Total Minority of Subdivision
Los Angeles AO	33.5%	15.4%	24.8%**
San Francisco AO	26.5%	27.1%	27.8%
Phoenix IO	28.2%	14.0%	12.5%
Reno IO	13.9%	7.0%	5.6%
San Diego IO	22.4%	12.9%	15.7%
Santa Ana IO	16.5%	16.1%	21.1%
Honolulu IO	64.2%	67.3%	64.4%
Region IX	27.7%	18.1%	21.4%

Source: Department of Housing and Urban Development, Region IX, Form 935.1, 1973. Summary Manpower Indicators, Region IX, Manpower Administration, U.S. Department of Labor, June 1972, from the 1970 U.S. Census; as adapted by HUD, Region IX, 1974.

*The Sacramento Insuring Office reported only one subdivision as having achieved full occupancy during 1973. Since it was felt that this did not represent Sacramento IO's sales during that period, it was not included in the analysis.

**It was beyond the scope of this study to explain this 9.4 percentage point difference which emerged from the analysis.

Note: Similar information showing breakdowns for Blacks, Spanish and "Other" minority are in Tables 10, 11 and 12 of the Appendix.

These HUD-processed single family subdivisions are also located in areas which have a higher mean income than that of the Region as a whole or most of its office jurisdictions. In the case of the Region, as noted in Table 7, this difference is more than \$1,600. The greatest differences appear to be in the southern areas of California.

Table 7

Mean Income of All Families and Unrelated Individuals in Neighborhoods In Which HUD-Processed Subdivisions Are Located by Field Office in Region IX As Compared to the Mean Income of That Office's Jurisdiction, And To the Region

	n=188 Region IX	n=23 LAAO	n=34 SFAO	n=3 HIO	n=12 PHIO	n=9 RIO	n=21 SDIO	n=86 SAIO
Census Tracts Mean Income	\$11436	\$13265	\$10437	\$ 9615	\$9615	\$11034	\$11619	\$11619
Jurisdiction Mean Income	\$ 9779	\$10824	\$ 9022	\$10201	\$9127	\$10282	\$ 8335	\$ 9072

Source: U.S. Census, 1970. Figures are for all families and unrelated individuals.

Finding No. 3: The presence of a subsidy is a strong inducement for the participation of Spanish in a single family subdivision, but is not significant for either Black or "other" minority participation.

As indicated in Table 8, as well as supported by the regression analysis, the existence of a Section 235 subsidy greatly increased "total" minority participation in the subdivisions. In fact, the presence of the subsidy increased "total" minority participation by 19 percent. However, this was not equally true for all minorities. In fact, while it was a strong determinant or inducement for Spanish to participate, it had a minimal, and certainly not a statistically significant effect on Blacks or "other" minority. If the subdivision had subsidized housing available, the percent Spanish in the subdivision would increase by 16.8 percent, while the comparable figure for Blacks was statistically insignificant. (See Tables 7 and 8 of the Appendix.)

It is clear that Blacks and Spanish use, or are able to make use of, the interest subsidy programs in quite different ways: More Spanish are attracted to or able to take advantage of subsidized programs for homeownership while many more Blacks, as noted previously, are attracted to or are able to take advantage of the subsidized rental programs.

Table 8

Ethnic Distribution of HUD-Processed Subdivisions With 235 Units And Without 235 Units, As Compared to the Ethnic Distribution of the Census Tract in Which They Are Located*

Ethnic Categories---					
Status	White	Total Minority	Black	Spanish	Other
<u>SUBDIVISIONS</u>					
Subdivisions <u>WITH</u> 235 Units n=42	57.9%	41.9%	8.6%	27.8%	5.2%
Subdivisions <u>WITHOUT</u> 235 Units n=146	83.0%	15.5%	2.3%	7.7%	5.5%
<u>CENSUS TRACTS</u>					
Census Tracts in Which Subdivisions <u>WITH</u> 235 Units Are Located n=44	71.1%	28.2%	7.1%	16.5%	4.6%
Census Tracts in Which Subdivisions <u>WITHOUT</u> 235 Units Are Located n=156	83.2%	15.4%	.9%	11.6%	2.9%

Source: Department of Housing and Urban Development, Region IX, Form 935.1, January 1973 through December 1973. Summary Manpower Indicators, Manpower Administration, U.S. Department of Labor, Region IX, June 1973, from the U.S. Census, 1970; as adapted by HUD, Region IX

*Sacramento Insuring Office is not included in these figures.

Finding No. 4: Given all the statistically significant similarities, it can be determined by means of judgemental analysis that the Affirmative Fair Marketing Program has had little to no effect upon the racial composition in HUD-processed single family subdivisions.

The variables included in the regression analysis explained up to 70 percent of the variation in percent minority of the subdivisions' population. This percentage is very high for social science surveys. Therefore, even though it was not possible to obtain control group information on subdivisions which were not subject to Affirmative Fair Marketing, there is every reason to believe that the Affirmative Fair Marketing program was not one of the major variables affecting minority participation in the single family subdivisions. If it had been, there certainly would have been a smaller percentage of the variation explained with its exclusion.

This becomes even more apparent when the similarity of the multifamily and single family regression findings (with the exception of the subsidy, which works quite differently) are compared. For both single and multifamily data bases, the single largest determinant of minority population was the extent and kind of minority in the location or area of the project or subdivision. For both, the degree of variation in the percent minority which is explained by the location is quite similar for each racial ethnic group. In fact, the only major difference in the regression equation for the two programs is the inclusion of Affirmative Marketing Program for the multifamily data base. Yet, this inclusion did not in any statistically significant way increase the percentage of variation explained for the percent minority in multifamily projects. Given all the other similarities, it can reasonably be determined that the effect of the Affirmative Marketing Program would be equally insignificant for single family subdivisions.

Finally, given the level of performance as indicated in the San Francisco and San Diego evaluations, the racial composition of subdivisions cannot be expected to have been substantially modified by Affirmative Fair Marketing. Although these findings are discussed in the subsequent chapters of this report, briefly they indicate that, as with the multifamily program, single family developers have changed very few of their marketing and sales patterns as a result of the program. Positive results in the single family sector would need to have been attributed to factors other than Affirmative Marketing.

CHAPTER II

SAN FRANCISCO AREA OFFICE PERFORMANCE EVALUATION

CHAPTER II

SAN FRANCISCO AREA OFFICE PERFORMANCE EVALUATION AFFIRMATIVE FAIR HOUSING MARKETING PROGRAM

I. INTRODUCTION

This Performance Evaluation is part of a Region-wide study of the Affirmative Marketing Program which was initiated in January 1974 at the request of the San Francisco Area Director, the San Diego Insuring Office Director and the Assistant Regional Administrator for Equal Opportunity. The basic purpose of the Study was to determine: (1) whether the Affirmative Marketing Program was having any impact on the racial composition in HUD-insured and assisted projects; (2) how effectively developers were implementing their Affirmative Marketing Plans; and (3) whether the administration of the Program could be improved.

Following a review of the regulations and discussions with staff in the Area Office and the Regional Office, it was decided that the priorities of the Area Office portion of the overall Study would be to examine performance by developers and HUD in implementing the Affirmative Marketing Program and how existing levels of performance could be improved.

Impact data for the Study was collected on a Region-wide basis. Because sample sizes were not large enough to permit statistical generalizations to be made on an office by office basis, it is important to read this report on performance in the San Francisco Area Office jurisdiction in the context of the Region-wide impact data. It should be noted though, that the data collected independently on the projects included in this portion of the Study is consistent with the Region-wide data.

The primary focus of this portion of the report then is on the Affirmative Marketing performance of developers who are clients of the San Francisco Area Office and on how their performance can be improved. Key aspects of the Area Offices' administration of the Program are also discussed.

This portion of the report is organized into five sections. Following this introduction are two sections summarizing the major findings and conclusions of the Study and the major recommendations. The next section explains the methodology used to arrive at those findings and conclusions. The last two sections restate the findings and conclusions and the recommendations and provide a detailed narrative documenting the basis for each finding and explaining the reasons for each recommendation.

II. SUMMARY OF FINDINGS AND CONCLUSIONS

- A. CONCLUSION: The Affirmative Marketing Program has had a negligible impact on the racial composition of affected subdivisions and rental projects because developers have not prepared and implemented Affirmative Marketing Plans that attempt to achieve racial occupancy results significantly exceeding traditional patterns.
1. Finding: The anticipated results (goals) developers expect from their Affirmative Marketing efforts and the actual results they achieve do not differ significantly from the pre-existing levels of integration in the census tracts in which projects are located.
 2. Finding: Developers have not significantly altered their marketing practices for the Affirmative Marketing Program.
 3. Finding: Only a small portion of all developers promise and then implement any extensive outreach efforts beyond using the Equal Housing Opportunity insignia in their regular advertising and displaying the Fair Housing Poster.
 4. Finding: Developer's Affirmative Marketing efforts are mainly concentrated on preparing Plans which will be acceptable to HUD.
 5. Finding: Affirmative Marketing Plans do not include Affirmative Action programs to correct existing racial imbalances in administrative, sales and management staffs.
- B. CONCLUSION: Affirmative Marketing requirements, as administered by the Area Office, do not constitute a serious obstacle to participation in HUD's housing programs by developers.
1. Finding: Most developers have no serious objections to the Affirmative Marketing Program.
 2. Finding: The most serious difficulties that developers have had with Affirmative Marketing relate to special outreach requirements.

3. Finding: Developers want more technical assistance related to special outreach requirements from HUD, especially on their first projects subject to Affirmative Marketing regulations.
- C. CONCLUSION: The Area Office's processing procedures for the Affirmative Marketing Program are functioning smoothly, but the substance of the review procedure does not insure that the approved Plans contain adequate and effective marketing programs.
1. Finding: All applications for projects and subdivisions subject to Affirmative Marketing are being routed through the Equal Opportunity Division for their review and approval of the Affirmative Marketing Plans.
 2. Finding: E.O. staff contact with developers is most frequent during the Plan preparation and review period, but this opportunity to fashion effective Affirmative Marketing Plans is not being maximized because HUD has no goals, standards or strategy against which to evaluate developer's plans.
 3. Finding: Not having developed formal standards and criteria, the Equal Opportunity staff has not been able to adequately review developers' Affirmative Marketing Plans.
- D. CONCLUSION: The Area Office has not had an adequate system of monitoring developers' performance and the monitoring that has occurred has not had a significant impact on developers' behavior.
1. Finding: The Area Office has not had a systematic means of providing the Equal Opportunity Division with timely notice of a project's rent-up or initial sales period.
 2. Finding: The Equal Opportunity Division has not been able to enforce reporting requirements and developers have been negligent at complying voluntarily.
 3. Finding: The Equal Opportunity Division's system for follow-up on non-reporting projects is not being implemented.
 4. Finding: HUD's field monitoring has not been performed in sufficient volume or intensity to have significantly affected developer behavior.

III. SUMMARY OF RECOMMENDATIONS

- A. Recommendation: The Area Director and the Equal Opportunity Director should establish more specific standards and criteria for the guidance of developers in preparing their Affirmative Marketing Plans and of HUD staff in evaluating and monitoring the adequacy of proposed Plans.
- B. Recommendation: The Area Director and the Equal Opportunity Director should establish a more effective reporting and monitoring system for the Affirmative Marketing Program.
 - 1. The Area Director should provide the Equal Opportunity Division with a reports and control capacity.
 - 2. The Area Director should establish remedies, which are less severe than debarment, which can be applied against developers who fail to report accurately or in a timely fashion.
 - 3. The Equal Opportunity Director should establish priorities for field monitoring projects.
- C. Recommendation: The Area Director and the Equal Opportunity Director should pursue the feasibility of developing areawide Affirmative Marketing Plan agreements with builder groups as opportunities arise, but such agreements should not be concluded which do not provide for adequate safeguards.
- D. Recommendation: The Equal Opportunity Division and other appropriate Area Office staff should emphasize to developers that more outreach efforts oriented particularly towards Spanish-surname households are needed.
- E. Recommendation: Developers' Affirmative Marketing advertising should be supplemented by public service advertising by HUD.

IV. METHODOLOGY

The findings and conclusions in this report are drawn from information collected through:

- Review of Area Office files
- Interviews with developers or managing agents
- Tabulation and analysis of racial occupancy data submitted under reporting requirements.

A. Area Office Files

The Equal Opportunity Division of the Area Office maintains a file on each housing development subject to Affirmative Marketing Regulations and/or Affirmative Action requirements. Thirty files for subdivisions insured and in some instances assisted, under Sections 203(b) and 235, and 19 files for projects under Sections 207, 221(D)(4), and 236 were reviewed to obtain the information reported below regarding developers Affirmative Marketing Plans. The 49 files reviewed were for the same 49 projects and subdivisions which developers were asked about in the interviews. (See Section B.)

B. Interviews With Developers/Sponsors and Managing Agents

Interviews were held with 30 single family development firms where an officer or employee was familiar with both the firm's experience with preparing and implementing that Plan. The 30 firms interviewed constitute a substantial portion of the 96 Bay Area developers (Fresno area developers were not interviewed due to time and travel constraints) who have had at least one Affirmative Marketing Plan approved. They are not statistically representative of the entire group, however. The proportion of developers who have had two or more subdivisions approved and who have submitted one or more sales reports, (as opposed to those who have had only one subdivision approved or who have not reported) is much higher among the group interviewed than among Bay Area developers as a whole. Each developer was interviewed in regard to only one subdivision and where a developer had two or more subdivisions sold or being sold, the interview normally was concerned with the one which was furthest along.

Interviews were also held with 19 developers of multifamily projects which had reached Final Endorsement before December 31, 1973, and with 14 of their managing agents or resident managers. Seven of the interviews were with limited-dividend or non-profit developers of Section 236 projects and 12 were with profit-motivated developers of Section 221(d)(4) projects (9)

and of Section 207 projects (3). There were a total of 16 Section 236, 16 Section 221(d)(4), and 3 Section 207 projects subject to Affirmative Marketing Regulations which reached Final Endorsement before the end of 1973. Thus, interviews were held regarding over half of the projects (19 out of 35) completed under the three multifamily housing programs covered by this Study.

C. Occupancy and Sales Reports

All developers covered by the Affirmative Marketing regulations are required to report monthly on the race of new tenants or buyers, using Forms HUD 9801 and 935.1. Reporting begins at the end of the first month that units are available. Reports are submitted monthly for six months after all units are available or until 95% occupancy is reached, whichever occurs first, at which time a Final Report is filed. In addition, Annual Reports on the current racial composition of the tenant body in each multifamily project are required at the end of each fiscal year during the life of the mortgage.

For the Region-wide impact study racial occupancy data was recorded for each project subject to Affirmative Marketing for which HUD had a Final Report. Since there were only a small number of multifamily projects with Final Reports, data from the latest available monthly report was recorded in a few instances where projects had not completed initial rent-up, but were more than 75% rented up by December 31, 1973. This racial occupancy data was then tabulated to arrive at the impact findings reported in the previous section of this report.

Similarly, racial composition data was obtained from census reports for each census tract in which a project or subdivision subject to Affirmative Marketing is located. Tabulation and analysis of the census data provided the basis for comparisons of projects and subdivisions with their surrounding neighborhoods.

The racial data on sales and rentals contained in Table B is drawn from 27 developments (15 subdivisions and 12 multifamily projects), that were part of the performance sample and for which a completed occupancy report form was available.

V. FINDINGS AND CONCLUSIONS

- A. Conclusion: The Affirmative Marketing Program has had a negligible impact on the racial composition of affected subdivisions and rental projects because developers have not prepared and implemented Affirmative Marketing Plans that attempt to achieve racial occupancy results significantly exceeding traditional patterns.

An applicant for participation in any of HUD's housing programs who proposes a subdivision, multifamily project or mobile home park of 5 or more lots, units or spaces, must prepare and submit for approval by HUD an Affirmative Marketing Plan. This Plan must provide HUD with information relative to:

- Which racial groups would not normally be expected to apply for the housing;
 - What special outreach efforts will be made to attract persons from such groups;
 - What results can be anticipated from those special marketing efforts; and
 - Who is responsible for the marketing program and what is their experience, their staff's racial composition, their hiring policies and their Fair Housing training program.
1. Finding: The anticipated results (goals) developers expect from their Affirmative Marketing efforts and the actual results they achieve do not differ significantly from traditional patterns of White/Minority distribution.

Tables A and B below compare the average census tract breakdown with the average approved goals, and the average reported occupancy results for the three major types of developments included in this Study. The total number of subdivisions and projects serving as the basis for these tables is less than the total interview sample (49 projects and subdivisions) because some developers did not provide identifiable census tract designations or did not report on occupancy results. The sample indicates the general direction of Affirmative Marketing in the Area Office's jurisdiction to date, but is not as statistically representative as the Region-wide data.

The most striking fact which can be seen from Table A is that developers in all 3 categories have proposed goals

that equal or are less than the percentage of total minority population in the respective census tracts in which these projects are located. Developers are clearly "playing it safe" and setting goals for themselves which do not exceed the status quo in the area of the project.

Within each specific category of developers, however, there are one or two variations from this general finding which should be noted. Developers of single family subdivisions, for instance, anticipated considerably more White buyers (84.5%) than their proportional representation in the census tracts (77.8%) or in the Area Office insuring jurisdiction (75%). While anticipating an overrepresentation by Whites, single family developers conversely anticipated a large underrepresentation by Spanish-surname buyers. They also anticipated slightly more Black buyers than in the surrounding census tracts, but their proposed goals were still less than half of the proportion of Black population in the insuring jurisdiction. Proposed goals for Spanish-surname buyers averaged only 6.5% as opposed to their 15.4% representation in the surrounding census tracts and their 11% representation within the Area Office insuring jurisdiction. Low estimates of participation by Spanish-surname households were also given by developers of unsubsidized rental projects (under Sections 221(d)(4) and 207), but the variation here (-4.3pp) is less extreme than among developers of subdivisions (-8.9pp). Slightly higher estimates of the proportional participation of Black and "other" minority households counterbalance the low Spanish-surname estimates so that total minority participation was estimated to almost exactly match the total minority population in the census tracts (15.9% versus 16.2% respectively).

Developers of Section 236 subsidized rental projects, as a group acted almost exactly opposite to the market rate developers. They estimated Spanish-surname participation at almost half again their representation in the census tracts, but they expected participation by Black and "other" minority households to be slightly less than their representation on the census tracts. The net effect, however, was again a White/Minority balance almost exactly matching the existing population make-up of the census tracts.

Table B below shows that, with few exceptions, actual occupancy results also followed existing White/Minority patterns in the census tracts. For example, while

single family developers set, and the Equal Opportunity Division approved, goals for total minority participation that failed to equal the total minority proportion of the population in the surrounding census tracts, actual occupancy results did closely match the White/Minority mix in those census tracts. Census tract composition and results were also equal for Section 236 developers.

One exception was the multifamily, unsubsidized developers who also set their goals at the White/Minority balance already present in their census tracts. They could not even meet these minimal expectations, however, and ended up with White occupancy in excess of 90%.

The other exception relates to Spanish-surname households. These households bought homes in HUD-processed subdivisions in proportions which were less than half of their presence in the surrounding census tracts (6.1% versus 15.4%). Very few Spanish-surnamed households were anticipated to rent unsubsidized units (2.8%) and the proportion of units they actually rented (1.7%) was less than one fourth of their representation in the census tracts containing these projects (7.1%). The Spanish-surname households also rented only 55% of the units that they were expected to rent in subsidized (Section 236) multifamily projects. Section 236 developers are the only category of developers, however, that even came close to attracting as many Spanish-surname households as are living in the areas surrounding the developments (8.2% versus 10.3%).

Table A

Census Tract Composition/Anticipated Results ¹

Single Family*

203(b)/235 ²	White	Black	Spanish	Other	Total Minority**
Census Tracts	77.8%	1.8%	15.4%	5.1%	22.3%
Goals	84.5%	4.0%	6.5%	5.0%	15.5%
Variation	+6.7pp	+2.2pp	-8.9pp	-0.1pp	-6.8pp

*Figures based on 12 subdivisions

Multifamily unsubsidized*

207/221(d)(4)	White	Black	Spanish	Other	Total Minority**
Census Tracts	83.8%	5.8%	7.1%	3.3%	16.2%
Goals	84.1%	7.3%	2.8%	5.9%	16.0%
Variation	+0.3pp	+1.5pp	-4.3pp	+2.6pp	-0.2pp

*Figures based on 5 projects

Multifamily Subsidized*

236	White	Black	Spanish	Other	Total Minority
Census Tracts	68.3%	18.0%	10.3%	3.4%	31.7%
Goals	68.1%	14.6%	14.8%	2.5%	31.9%
Variation	-0.2pp	-3.4pp	-4.5pp	-0.9pp	+0.2pp

*Figures based on 7 projects

**Due to rounding, White and Total Minority may not equal exactly 100%

Area Office Ethnic Distribution

	White	Black	Spanish	Other	Total Minority
	75%	9.0%	11%	5%	25%

Table B

Anticipated Results/ Actual Results²Single Family*

203(b)	White	Black	Spanish	Other	Total Minority
Goals	84.5%	4.0%	6.5%	5.0%	15.5%
Results	78.4%	5.4%	6.1%	10.1%	21.6%
Variation	-6.1pp	+1.4pp	-0.4pp	+5.1pp	+6.1pp

* Figures based on 15 subdivisions (1371 units)
with 1157 units reported sold by May 31, 1974.

Multifamily Unsubsidized*

207/221(d)(4)	White	Black	Spanish	Other	Total Minority**
Goals	84.1%	7.3%	2.8%	5.9%	16%
Results	90.9%	4.7%	1.7%	2.7%	9.1%
Variation	+6.8pp	-2.6pp	-1.1pp	-3.2pp	+6.9pp

* Figures based on 5 projects (358 units) with 294 units
reported rented by May 31, 1974.

** Due to rounding.

Multifamily Subsidized*

236	White	Black	Spanish	Other	Total Minority**
Goals	68.1%	14.6%	14.8%	2.5%	31.9%
Results	70.4%	15.5%	8.2%	5.8%	29.5%
Variation	+2.3pp	+0.9pp	-6.6pp	+3.3pp	-2.4pp

* Figures based on 7 projects (549 units) with 534 units
reported rented by May 31, 1974.

** Due to rounding White and Total Minority may not equal exactly 100%.

2. Finding: Developers have not significantly altered their marketing practices for the Affirmative Marketing Program.³

Since developers set goals that reflect their past experience rather than ones which challenge their marketing skills, it is not surprising that two thirds of the developers who were interviewed for this Study (and who had done other projects) freely admitted that their marketing practices were not significantly different for their Affirmative Marketing projects than for previous projects or for current, conventionally financed projects.⁴

The one third of the multifamily unsubsidized housing developers who had made what they considered significant changes in their marketing practices all cited changes in newspapers in which they advertised. Either local newspapers or minority-oriented newspapers which had not been used before were used to advertise the availability of units in their Affirmative Marketing projects. None of these developers claimed that they were utilizing community group contacts, if any, which were any different than the ones used for their non-Affirmative Marketing projects and one had abandoned advertising in minority oriented newspapers due to a perceived lack of results.

Among the one-fourth of the single family developers who had previously done non-Affirmative Marketing projects and who indicated they had made significant changes in their marketing practices, no single type of change predominated, (as the change in newspaper advertising had with the multifamily group). Rather, responses were varied with different developers citing changes in newspapers used for advertising, in staff training, in models depicted in brochures, in contacting community groups, and in intensifying previous activities to attract and/or qualify minority buyers.

Interestingly, the proportion of all developers who say they have changed their marketing activities for the Affirmative Marketing program (1/3) is less than the proportion who claimed to have made Affirmative Marketing outreach efforts (1/2). At least some of the outreach efforts developers included in their Affirmative Marketing Plans are clearly marketing techniques which were used prior to the Affirmative Marketing Program. For example, 10 developers of single family and of multifamily unsubsidized housing said they advertised in

minority-oriented media, but only four of these said this was a change in their marketing procedures. Nineteen of the same two groups said they contacted local community groups as part of their program, but only one said that community group contact was a significant change in his marketing program.

This duplication is also exemplified by the eight firms whose subdivisions were located near military installations. All eight representatives of these firms who were interviewed claimed credit for contacting the nearby base as an Affirmative Marketing outreach effort. The general consensus among the eight was that this type of contact was one of the more effective types of outreach. Yet six of the eight said they had made no changes in their normal marketing practices and the two who did say that they had made changes cited other differences.

The clear implication of this comparison of responses is that many developers were doing some minority media advertising and/or community contact before Affirmative Marketing which they have continued for their projects subject to Affirmative Marketing, simply writing it into their Plans. Only a small portion of all developers have made adjustments in their marketing programs and these changes, while possibly significant to the individual developer, cannot be regarded as a major effort by the housing industry.

3. Finding: Only a small portion of all developers promise and then implement any extensive outreach efforts beyond using the Equal Housing Opportunity insignia in their regular advertising and displaying the Fair Housing Poster.

Using information from their Affirmative Marketing Plans and from the interviews, each developer was rated and ranked according to five different categories, representing fairly distinct levels of outreach effort.⁵

The five performance categories are:

	<u>Number</u>	<u>Percent</u>
a. Making no effort to comply with Affirmative Marketing Regulations and approved Plan.	5	10%

b.	Making no effort beyond using the Equal Housing Opportunity logo and/or slogan and Fair Housing Poster.	19	39%
c.	Using the Equal Housing Opportunity logo and/or slogan and Fair Housing Poster plus advertising in minority-oriented media.	4	8%
d.	Using the Equal Housing Opportunity logo and/or slogan and Fair Housing Poster plus contacting community groups.	13	27%
e.	Using the Equal Housing Opportunity logo and/or slogan and Fair Housing Poster plus advertising in minority-oriented media and contacting community groups.	<u>8</u>	<u>16%</u>
	Total	49	100%

As the previous figures make clear, 10 percent had made no outreach efforts at all, and almost 40 percent could not cite any outreach activity beyond displaying the Fair Housing Poster and adding the Equal Housing Opportunity insignia to their regular advertising.

The performance of single family developers was slightly better than that of multifamily developers. A majority of the latter fell into the first two categories while slightly less than half of the former did. The developers of subsidized housing as a group did not undertake any more extensive outreach programs than did the profit-motivated developers of market-rate housing.

About one third of the developers interviewed fell into the third and fourth categories (17 out of 49). This group made some effort to utilize suggested outreach techniques, either minority-oriented media or community group contact, but not both. The efforts of the developers falling in these two categories were not regarded as extensive because of quantitative factors. Typically, only one paper or one radio station was used and only 1 to 4 community groups were contacted.

Only one sixth of the interviewed group fell into the fifth category of fairly extensive outreach efforts (8 out of 49), at least in comparison to the group as a whole. The developers in this category utilized both

minority-oriented media and community group contacts in their outreach efforts. The developers who were judged to be the best performers were usually the larger firms, urban based and repeat users of HUD programs.

4. Finding: Developers' Affirmative Marketing efforts are mainly concentrated on preparing Plans which will be acceptable to HUD.

The most crucial aspect of the Affirmative Marketing Program for a developer is to obtain approval of his Plan from HUD's Equal Opportunity Division. Without the Equal Opportunity Director's approval, HUD will not issue, depending on the program, a firm commitment, an ASP-6 (Feasibility Analysis Letter), an approval of FHA Form 2800, or, formerly, a Section 235 fund reservation.

Most developers are taking the requirement that a Plan be submitted seriously, assigning responsibility for preparing the Plan to a high ranking person in the organization, such as a partner, a vice-president, the director of marketing, or the FHA-VA coordinator. They are also clearly putting a fair amount of effort into preparing their Plans, especially the first one they do. One example of the amount of effort that is going into Plan preparation is that over 80% of the developers interviewed reported researching census data for their Plans. Almost all of these developers obtained census tract statistics, with some obtaining city-wide statistics either instead of, or in addition to, the census tract data. Although the Handbook requires that a plan be designed which will attract all groups within the Standard Metropolitan Statistical Area (SMSA) or the housing marketing area if outside of an SMSA, very few developers used county-wide or SMSA data.⁶

The number and variety of sources contacted for information by developers is a further indication that they are generally putting some effort into preparing their Plans. Almost 30% of those interviewed had contacted one or more local Fair Housing or other community groups. About 40% had contacted their local City or County Planning Department for information. Almost 50% had obtained information from HUD and some 20% obtained information from a scattering of other sources.⁷

The intensity of contacts with HUD during the Plan preparation stage as opposed to later phases of Affirmative Marketing also clearly indicates that developers efforts are mostly focused on getting their Plans approved. Only 15% of those interviewed reported no contact with HUD regarding Affirmative Marketing while they were preparing their Plans. During initial sale or rent-up however, the percentage of developers reporting no contact with HUD regarding Affirmative Marketing doubled to over 30%.⁸

Finally, developer's perceptions of their costs to prepare a Plan versus their costs to implement it also clearly indicate that most of their efforts are being expended on preparing a Plan that HUD will approve. Developers' estimates of Plan preparation costs ranged from \$0 to \$1,500 but about 60% of the respondents' estimates fell between \$100 and \$500. These estimates of Plan preparation costs contrasted sharply with those of Plan implementation costs, which almost 60% of the respondents estimated to be less than \$50. This difference is striking.

5. Finding: Affirmative Marketing Plans do not include Affirmative Actions programs to correct existing racial imbalances in administrative, sales and management staffs.

The Affirmative Marketing Plans of the 49 projects on which interviews were conducted were reviewed for data on present administrative, sales, and management positions (excluding clerical and maintenance positions). While many Plans did not state quantitatively what the developers existing employment pattern was, a total of 214 such positions were mentioned. In proportion to the population mix of the San Francisco insuring jurisdiction, Whites were overrepresented and Blacks in particular were underrepresented in these positions. This is shown in the following chart:

<u>Race</u>	<u>SFAO Population</u>	<u>Reported Employment</u>
White	75%	84.1%
Oriental	5%	4.2%
Spanish- surname	11%	8.4%
Black	<u>9%</u>	<u>3.3%</u>
TOTAL	100%	100%

Developers' staffs are actually much more segregated than these figures indicate. One company, a Housing Development Corporation in Santa Clara County, employed more than half of all Mexican-Americans reported and almost all of the Blacks. This Housing Development Corporation and one other firm, a professional management company, employed all of the Blacks reported in administrative, sales, or management positions.

The Affirmative Marketing Plans which were reviewed did not reflect a serious commitment to correct this situation. Most developers' Plans simply stated that no additional staff would be needed, indicating what actions would be taken if staff vacancies did occur. Subdivision developers almost always planned to transfer existing sales staff to the new development and even multifamily developers indicated that new staff, especially new resident managers, would be hired in only slightly more than half of the projects. Those Plans that did refer to hiring policies typically only stated such generalities as that the firm was an Equal Opportunity Employer, that they would not discriminate against minority applicants for employment, or that they would actively solicit minorities when hiring additional staff or if future vacancies occurred. But, only 3 of the 49 Plans cited specific affirmative action measures that the developer planned to take in order to recruit additional minority staff.

- B. CONCLUSION: Affirmative Marketing requirements, as administered by the Area Office, do not constitute a serious obstacle to participation in HUD's housing programs by developers.

1. Finding: Most developers have no serious objections to the Affirmative Marketing Program.

Each developer was given several chances during his interview to express his opinions regarding Affirmative Marketing. It was anticipated that if the Affirmative Marketing regulations constituted a serious obstacle to participation in the insurance programs that a strong negative reaction would be expressed to the program. Instead, a large majority of the multifamily developers, and almost half of the single family developers interviewed for this Study, expressed no objections to the Affirmative Marketing Program and/or indicated that they had no serious problems with it. Among the developers who indicated that they did see problems with the program, most of their comments (55%) in essence complained that the program was ineffective. Other objections included opposition to the program on philosophical grounds (i.e., reversed discrimination, developers presumed guilty of discrimination until proven innocent, etc.), the amount of paper work necessary, the extra time required to comply with the regulations, the difficulty in understanding the regulations and the cost. There was no consistent pattern to these comments, however. They are apparently based on the unique experience of each individual developer and on his own personal sensitivities. The Affirmative Marketing Program itself does not appear to create any one particular problem affecting a substantial proportion of the developers subject to its requirements.

There seem to be three major reasons for the lack of opposition to or problems with the Affirmative Marketing Program. First, as indicated in Conclusion A above, developers are not being required to invest heavily of their time, money or attention to comply with the program. Thus, it is relatively easy to go through the motions required to stay in compliance. Second, various responses during the interviews indicate that some developers either feel that Affirmative Marketing was a good program, personally agreeing with its objectives, or that the program reflects what society expects of them and they have a social responsibility to carry it out. Third, most developers were not experiencing and did not anticipate serious opposition from their tenants and buyers to integrated housing. Only about 10% of the responding developers and managers attributed attitudes to their tenants and buyers indicative of their holding negative images of racial stereotypes. The rest either expressed no reservations about their tenants' or buyers'

attitudes to integrated living or their reservations were limited to concerns over balance or concentration. Thus developers did not feel serious economic pressures from their White tenants or buyers to discriminate against minorities. The most important factor, however, appears to be the first one mentioned, the lack of pressure from HUD to significantly change their marketing practices.

2. Finding: The most serious difficulties that developers have had with Affirmative Marketing relate to special outreach requirements.

Developers were queried both in general and specific terms regarding their difficulties with the Affirmative Marketing Program. While the typical response to open ended questions was that developers did not have serious problems with or objections to the program (as indicated above), specific questions elicited responses indicating that developers were encountering some difficulties. The most troublesome aspects of the program related to outreach requirements. Almost 2/3 of all the developers who were interviewed said that special outreach requirements (i.e., deciding on outreach target groups, setting goals, and designing special outreach techniques) were their most difficult problems (31 out of 49). Their areas of greatest difficulty were precisely those areas where the Affirmative Marketing requirements are most vague and indeterminate and where developers' performance levels have been least satisfactory.

3. Finding: Developers want more technical assistance related to special outreach requirements from HUD, especially on their first projects subject to Affirmative Marketing regulations.

Just about half of all respondents felt that HUD should provide additional technical assistance during the Affirmative Marketing Plan preparation process. The type of technical assistance requested corresponded with the areas of greatest difficulty--determining special outreach groups, setting appropriate goals and devising effective marketing techniques. Several developers suggested that HUD provide census tract information and better explain how it can be used (to determine outreach target groups and set goals). It was also repeatedly suggested that HUD provide information about community groups which could be contacted for referrals. Additional assistance was seen as especially needed on a developer's first project subject to Affirmative Market-

ing. In view of their generally poor performance in these areas, developers' perceptions of their technical assistance needs appear to be accurate. If HUD's performance standards are increased, then corresponding increases in technical assistance levels will certainly have to be made or developers will have serious difficulties in meeting the outreach requirements.

- C. Conclusion: The Area Office's processing procedures for the Affirmative Marketing Program are functioning smoothly, but the substance of the review procedure does not insure that Approved Plans contain adequate and effective marketing programs.

1. Finding: All covered applications are being routed through the Equal Opportunity Division for their review and approval of the Affirmative Marketing Plans.

The Area Office staff who were interviewed about processing of Affirmative Marketing Plans thought that the problem of housing projects being approved without Plans, which occurred during the first few months of the Affirmative Marketing Program, had been solved. To test this opinion a list of 73 applications for subdivision analysis which had conditional commitments processed during calendar year 1973 was prepared by the Single Family Branch. All 73 subdivisions were subject to Affirmative Marketing requirements. The list was then checked against the file records of the Equal Opportunity Division. Approved Plans were found in the E.O.D. files for 70 of the 73 cases, while the other three cases were subsequent phases of subdivisions which had received plan approval at the time the initial phase had been processed.

A similar test for multifamily projects was made. A list of 28 Section 236 and 221(d)(4) projects which were recorded on OMIS as having received a commitment from HUD during FY '74 was checked against the E.O.D. files. Twenty-seven of the 28 projects had approved Affirmative Marketing Plans in the E.O.D. files. The one exception was a Section 221(d)(4) project fully leased to a local housing authority and thus exempted from the Affirmative Marketing Plan requirement.

No commitments were issued by the Area Office for projects under Section 207 during FY '74.

2. Finding: Equal Opportunity staff contact with developers is most frequent during the Plan preparation and review period, but this opportunity to fashion effective Affirmative Marketing Plans is not being maximized because HUD has no formal goals, standards, or strategy against which to evaluate developers proposals.

While the processing problems have been solved, the quality of the Equal Opportunity review of the Plans has been clearly insufficient to insure that only Plans containing adequate and effective marketing programs are accepted despite Division's emphasis on the Plan review process as opposed to field monitoring.⁹ As is documented in findings A.2., A.3., and A.5. above, developers' Plans are being approved which contain only "play safe" goals and token outreach commitments.

One major reason that inadequate Plans are being approved is that the design of the program itself makes effective administration at the field office level extremely difficult. The regulations require very little in the way of specific actions to be taken by the developer. Other than in procedural matters, such as who must submit Plans and when they are to be submitted, and in the guidelines for display of the Fair Housing Poster and use of the Equal Housing Opportunity insignia, the Handbook is written in broad, general statements (i.e., "carry out an affirmative program to attract buyers or tenants of all minority and majority groups to the housing..."). The substantive determination of what constitutes a program that is sufficient to achieve the purpose of the Affirmative Marketing regulations (... "to promote a condition in which individuals of similar income levels in the same housing marketing area have available to them a like range of choices in housing regardless of the individuals' race, color, religion, or national origin") is left completely to the discretion of the field office.

The Regional Office of Equal Opportunity has provided technical assistance in the area of Affirmative Marketing procedures, by developing guidelines that each field office used for designing and implementing Affirmative Marketing Monitoring systems. These systems have been monitored and evaluated, as have the contents of individual Plans, during Regional Office Team Reviews. The Regional Office provided training for all field office Equal

Opportunity staff in July and August of 1972 which focused on evaluating the adequacy of Plans and on methods of lending technical assistance to sponsors and developers. A general improvement in the quality of Plans has undoubtedly occurred since the early months of the program as a result of Regional and field office efforts. Until it helped initiate, and then participated in this study, however, the Regional Office of Equal Opportunity did not have and did not develop empirical data upon which the effectiveness of Affirmative Marketing Plans could be judged. No help has been provided in obtaining basic income-by-race data for the field offices so that realistic goals can be set; in identifying the requisite characteristics community groups must have to successfully refer potential minority homebuyers or renters to projects and subdivisions subject to Affirmative Marketing; in designing ads and in identifying advertising media that effectively appeal to targeted groups; or in devising useful outreach techniques not already suggested in the Handbook.

Finally, the Area Office has passed the question of what constitutes an adequate Plan on to the developer. No formal goals or standards have been developed to assist the developer in preparing a Plan which is adequate to affect racial occupancy results as opposed to one that is "adequate" because it is responsive to the HUD form for a Plan. The developer is told what the procedural requirements are (i.e., that he must prepare a Plan, that he must use a particular HUD form, that he must use the Equal Opportunity insignia and Fair Housing Poster, etc.) given examples of outreach techniques and provided with census data if he asks for it. He is on his own in preparing the content of his Plan, however. Since it is only natural for the developer to concern himself mainly with what is the minimum that HUD will accept and since HUD does not know what is an "adequate" program to achieve the maximum level of integration possible under certain economic limitations, some very minimal efforts are being accepted.

3. Finding: Not having developed formal standards and criteria, the Equal Opportunity staff has not been able to adequately review developers' Affirmative Marketing Plans.

Lacking review standards or criteria to provide guidance, the Equal Opportunity staff must evaluate and judge the

adequacy of every Plan based on its professional knowledge and experience. The staff does not have sufficient information or time to thoroughly investigate the adequacy of each Plan, however, for at least three reasons.

First, a major complication is that the Affirmative Marketing regulations apply equally to a developer of 5 units a year and to a developer 500 units per year. The regulations thus ignore the very substantial differences in resources, capacities, and organization between a developer of 5 units and a developer of 500 units.

Second, by making the Affirmative Marketing Program applicable to all projects down to five units in size, a blizzard of paper work has been generated. At the time of our review, March 1974, the number of active projects in the Equal Opportunity Division files just for the programs covered by this study were:

<u>Section of the Act</u>	<u>Number of Projects</u>
207	21
221	101
236	138
203(b)/235	<u>543</u>
Total	803

Keeping track of 803 active Affirmative Marketing Plans would be a monumental task all by itself, but is only a small part of the Equal Opportunity Division's workload and does not include the housing programs not included in this study or the Section 236 projects started before Affirmative Marketing that have Affirmative Action programs to be monitored. In addition, the Equal Opportunity Division is supposed to monitor the Affirmative Action Programs of grant recipients, review community development and planning grant applications, review Workable Programs, and administer the Area Office's own Affirmative Action Program. To accomplish all this the Equal Opportunity Division was staffed during most of this Study with a Director, one full-time E.O. Specialist, one inexperienced person on temporary detail and a secretary.

Third, faced with a seemingly impossible task the Equal Opportunity Division appears to have settled into an attitude of mild resignation towards the program. There

are subtle indications of the Division having given up on trying to aggressively administer the program and of having settled into a daily routine. No uniform standards have been set. No workable priorities have been established and no Area Office strategy for implementing the program has been formulated.

The "inadequacies" of the Area Office's administration of the Affirmative Marketing Program have been noted by the National Committee Against Discrimination In Housing, Inc. Commissioned by HUD to do a study which included monitoring the Affirmative Marketing Program, the Western field office of NCDH studied eight projects in this area. After citing the same general deficiencies as were found by this Study about developers' Affirmative Marketing Plans, the NCDH Project Director stated in a draft report distributed in March 1974 that:

"It is the general consensus of the NCDH staff members involved in monitoring these eight projects that all eight Affirmative Marketing Plans are grossly inadequate. Submission of these plans indicates that either developers are still unfamiliar with Affirmative Marketing guidelines or are not interested in accomplishing the goals of the Affirmative Marketing provisions. Whatever the reasoning, there can be no justification for this submission and approval of such obviously inadequate plans.

"Much of the impact of the Affirmative Fair Housing Marketing Guidelines is lost because of the lack of effective sanctions for noncompliance, and the almost total stress on 'good faith' efforts in implementing the plan...

"Monitoring these eight projects pointed out many inadequacies in the approved plans. It also demonstrated that without a determined and forceful approach by HUD and housing developers and managers, Affirmative Fair Housing Marketing Plans are merely 'paper' plans and will have little, if any, effect on housing opportunities for minorities."

In fairness to the Equal Opportunity Division, however, it must be reemphasized that given the flaws in the design of the Affirmative Marketing Program, the lack of assistance from Central and Regional offices, the overwhelming volume of paper work to which they are subjected, and their lack of clerical and professional staff

support, a "forceful approach" by HUD could not have been expected. Nevertheless, even with the many constraints, much more could have been done in the Area Office especially to develop program standards and to set priorities for the efficient use of limited staff resources.

- D. Conclusion: The Area Office has not had an adequate system of monitoring developers' performance and the monitoring that has occurred has not had a significant impact on developers' behavior.

1. Finding: The Area Office has not had a systematic means of providing the Equal Opportunity Division with timely notice of a project's rent-up or initial sales period.

The Equal Opportunity Division is dependent primarily upon the Operations Division and secondarily on the Housing Management Division for notification that a project is ready to begin marketing activities. Until recently no notice has been provided by Operations Division regarding the initial sales period of subdivisions because the start of sales was not tracked by the Operations Division's Single Family Branch. During the course of this study, however, a new procedure was agreed to whereby the Single Family Branch will now advise the Equal Opportunity Division when the first Final Construction Inspection has been completed. Theoretically, the first Final Construction Inspection should correspond closely with the start of sales activity. Whether this new system provides the Equal Opportunity Division with sufficient notice in actual practice could not be ascertained because of its recent implementation date.

For multifamily projects the former Special Assistant to the Director of Operations Division notified the Equal Opportunity Division when a project's first request for Permission to Occupy (FHA Form No. 2485) had been approved. A spot review of the files for several 221(d)(4) projects indicated, however, that Permission to Occupy is often granted too late to serve as timely notice to the Equal Opportunity Division. In one extreme case a project was reported fully occupied to Housing Management more than five months before Permission to Occupy was granted. This situation was discussed with the Special Assistant who advised that Permission to Occupy could be held up if the developer does not submit proper documentation. A new procedure has now been initiated whereby the Equal Opportunity Division is advised by the A & E clerk upon the receipt of a request for Permission to Occupy. Again, the recent initiation of this procedure precluded a review of its effectiveness.

Housing Programs Management Branch provides an effective "back-stop" to Operations on the Section 236 projects. The Equal Opportunity Division is invited to each pre-occupancy conference and thus has an opportunity to remind sponsors of their Affirmative Marketing responsibilities just prior to the start of initial rent-up. Loan Management Branch, however, does not assume jurisdiction over non-Section 236 projects until after Final Endorsement, which is too late to correct an inadequate Affirmative Marketing effort if E.O. has not already been notified by Operations. Loan Management Branch thus is not in a position to assist the Equal Opportunity Division. Its staff presently is unfamiliar with Affirmative Marketing reporting requirements and they do not play any role in obtaining occupancy reports which are due from developers prior to Final Endorsement under Affirmative Marketing regulations, but not under their own.

2. Finding: The Equal Opportunity Division has not been able to enforce reporting requirements and developers have been negligent at complying voluntarily.

During the course of this Study it became evident that the incidence of failure to report was high. It was not possible to review every non-reporting project to determine whether reports were due or not, but spot checks and other data are quite conclusive that a substantial percentage of developers are not reporting.

There were a total of 96 Bay Area developers of subdivisions with one or more approved Affirmative Marketing Plans in the Equal Opportunity Division's files. Forty-six of these had only one approved Plan and 50 had two or more approved Plans. Of the 46 with only one approved Plan, only 6 files contained a sales report. How many more of the 46 should have reported is not known, but it certainly is at least double or triple the number that have reported. Of the 50 developers with two or more approved subdivisions, 33 had submitted at least one report for at least one subdivision, and 17 had not reported on any of their subdivisions. Thirteen of these 17 developers were contacted by the Evaluation Team (the other 4 could not be reached). Twelve of the 13 developers who could be reached were selling homes in one or more of their subdivisions, but had not reported to HUD on those sales. Two of the 13 had even completely sold out subdivisions without ever having submitted a report.

Except for the Section 236 projects, enforcement of the reporting requirements has not been any more successful in the multifamily programs reviewed for this Study. There were a total of 35 multifamily projects with approved Affirmative Marketing Plans which reached Final Endorsement by December 31, 1973. Every one of these 35 projects should have submitted one or more occupancy reports since final endorsement occurs only after sustaining occupancy has been achieved. Sixteen of the 35 projects were subsidized and all of these sent at least one report. Of the 19 market rate projects, however, only 8 had reported.

Compliance with reporting requirements is actually less than is indicated by the above statistics. The above statistics apply to developers who have sent in at least one report, but in many instances not all reports due had been submitted. Even among the Section 236 projects, which have the best reporting record, the full series of monthly reports was almost never submitted. Among the market rate, multifamily projects, one report is typically all that was ever submitted. Further, even when reports are submitted they are sometimes so incorrectly filled out as to be useless for determining whether the developer is meeting his goals or not. The one bright spot was that the Equal Opportunity Division has been getting many of the larger single family developers to report regularly. These developers are organized in a corporate or bureaucratic fashion. Once the effort is made to establish a system of data collection and reporting within the developer's organization, then regular monthly sales reports for all of its subdivisions can be expected. The initial effort to get such a system functioning, however, can be substantial.

3. Finding: The Equal Opportunity Division's system for follow-up on non-reporting projects is not being implemented.

The Equal Opportunity Division's Affirmative Marketing Monitoring System states that:

- "a. Sponsors who fail to submit the required reports are sent a reminder letter requesting compliance.
- b. A second letter follows in ten days if there is no response to the reminder letter. The second letter makes reference to the compliance review clause.

- c. After another ten days without response, the Regional Equal Opportunity Office is notified by memorandum."

Each Equal Opportunity Officer maintains a file card on every approved Affirmative Marketing project within his or her jurisdiction. Reminder letters are regularly sent out, usually within a few days, (but in one case as much as two months) after the Equal Opportunity Division is notified that Permission to Occupy has been granted for a multifamily project. No similar notification system existed for single family subdivisions until very recently. The file card is then marked with a colored tab to indicate that occupancy reports are due. At this point the system apparently breaks down since not one follow-up letter was found during our review of the files. Many files contained reminder letters that were months old without any indications of further follow-up having been made. Follow-up does actually occur in some cases, but apparently only by phone and not within ten days. The tremendous number of projects makes it impossible for the small Equal Opportunity staff to meet their own follow-up time table. Further, under the press of business, many projects are "falling between the cracks" and are being completely rented-up or sold-out without reporting and without being monitored. Report control is so inadequate that some developers have obtained new Affirmative Marketing Plan approvals from the Equal Opportunity Division without having met reporting requirements on previous projects.

4. Finding: HUD's field monitoring has not been performed in sufficient volume or intensity to have significantly affected developer behavior.

That the Equal Opportunity Division has not implemented an extensive program of on-site monitoring is evident from the responses of developers interviewed for this Study. When asked if they had ever been monitored by HUD on any of their projects, only 30% of all developers said yes.¹⁰ This low level of monitoring activity, especially considering that the program has been in effect for more than two years, is entirely inadequate to insure even minimal compliance with the Affirmative Marketing regulations.

Not only has the volume of monitoring been low, but that which has been done has apparently not been very effective. Only 3 of the 15 developers who had been monitored stated that they had received recommendations from the HUD monitor which assisted them in improving their program.

This response is consistent with Finding C.2. above which indicated that the Equal Opportunity Division itself does not presently have sufficient information to assist developers with their outreach programs. They must therefore emphasize their enforcement responsibilities and try to obtain compliance with the basic, procedural type requirements (i.e., display of the poster, etc.). They do not have the resources to significantly affect developers' advertising and marketing program.

Footnotes

1. It is important to remember that the percentages cited here are based on aggregated data. Wide variations in results were found in individual projects and generalizations based on cumulative totals are not necessarily applicable to any one project. Nevertheless, differences in the average performance between single family developers and multi-family, unsubsidized developers (who both operate in predominantly White neighborhoods) are significant and instructive. The performance of Section 236 developers is not comparable to the other two groups since the average figures include projects in both predominantly White and predominantly minority areas. When more occupancy reports are available, the Section 236 reports should be divided according to these two sub-categories and analyzed separately.

The racial composition of the Area Office insuring jurisdiction is provided as a reference point. Because of lower incomes, Black and Spanish-surname households could not be expected to occupy new, unsubsidized units in the same proportion as their percentage of the population in the insuring jurisdiction.

2. Only 2 subdivisions of the 15 in this sample had Section 235 allocations for some of the homes. The entire sample group of single family developers therefore is analyzed as if they were all developers of unsubsidized housing.
3. Use of the Equal Housing Opportunity logo or slogan and display of the Fair Housing Poster were not regarded as "significant" changes in marketing practices for purposes of this analysis.
4. No conclusion can be made regarding Section 236 developers since only two had undertaken other, non-Affirmative Marketing projects. It would, of course, be impossible to draw any general conclusions about Section 236 developers from only two examples. Almost all of the unsubsidized developers who were interviewed had done non-Affirmative Marketing projects.
5. Outreach efforts were regarded as the most important part of a developer's Affirmative Marketing Program. This rating system uses the quantity of outreach effort as the key indicator in judging a developers performance. Other aspects of the Affirmative Marketing Program (i.e., staff training, reporting to HUD, etc.) were not included in the ranking system.
6. Anticipated results are also supposed to "...be realistic in terms of the proportion of minority persons at the appropriate income level in the metropolitan area..." (emphasis added). Interestingly, the few developers who did gather SMSA statistics were all subdivision developers. No multifamily developer looked beyond the immediate county within which his project was located.

7. These percentages total more than 100% due to multiple contacts by many of the developers.
8. Every developer of a Section 236 project who was interviewed reported contact with HUD during rent-up. Over 50% of the unsubsidized multifamily developers, however, had no contact with HUD.
9. Both single and multi-family developers reported almost twice as many contacts of all types with HUD during the application review process as during the marketing phase, except that Section 236 sponsors, who constitute only a small part of the Equal Opportunity Division's workload, reported slightly more contact during the marketing phase.
10. Other developers may have been monitored by representatives from volunteer fair housing groups, but this type of monitoring was not surveyed for this Study.

VI. RECOMMENDATIONS

The Affirmative Marketing Program, in effect, comprises two major and distinct thrusts within one programmatic framework. First, major features of the Affirmative Marketing Program constitute a sub-program which can best be described as a non-discrimination program. HUD requires its assisted and insured developers to practice a systematic policy of non-discrimination and to show both to the public and to HUD monitors, clear physical evidence of that non-discriminatory policy.

Thus developers are required to maintain a non-discriminatory hiring policy, to instruct their staff in non-discrimination and Fair Housing, to use the Equal Housing Opportunity insignia in advertisements, on signs and in any printed material, to display the Fair Housing Poster prominently, and to have a copy of their Affirmative Marketing Plan available at the project site. Inexplicably, though, developers are not asked to sign an Equal Housing Opportunity Certification although they are required to sign an Equal Employment Opportunity Certification (FHA Form No. 2010).

Secondly, other major features of the Program constitute a sub-program of affirmative marketing--of positive, compensatory action. Here HUD requires developers to prepare and submit Affirmative Marketing Plans which include racial occupancy goals, and encourages them to use minority oriented communications media, local community groups and other methods to advertise the availability of units to all racial groups. The Department also requires submission of occupancy and sales reports so that the effectiveness of outreach performance can be monitored and adjustments made if needed.

The non-discrimination provisions of the Program establish the basic, minimum requirements which the Area Office must monitor. The key to how successful the Area Office will be in achieving true equal housing opportunity within its insuring jurisdiction, however, largely depends on how effectively it promotes special marketing and outreach efforts. The following recommendations are offered as methods for improving performance in pursuing both objectives:

- A. Recommendation: The Area Director and the Equal Opportunity Director should establish more specific standards and criteria for the guidance of developers in preparing their Affirmative Marketing Plans and for HUD staff in evaluating and monitoring the adequacy of proposed plans.

Standards and criteria are especially needed in the areas of expected goals and expected levels of marketing efforts. In order to develop such standards, more information will be

needed about income levels and about potential outreach agents (i.e., newspapers, radio stations, and community contacts). To develop such information, it is suggested that a small task force be temporarily detailed to the Equal Opportunity Division to assist in compiling an Affirmative Marketing Program informational guide. This guide should provide both information that would help developers to prepare an adequate Affirmative Marketing Plan and guidelines as to what the San Francisco Area Office, Equal Opportunity Division, requires to be included in an acceptable Plan. The Guide should cover:

1. Communication Media

A list of all minority oriented newspapers and radio stations within the Area Office jurisdiction should be compiled. Available information regarding each newspaper's and each station's racial service group, the size of its audience or circulation, and its service area should be included, as well as addresses and phone numbers of appropriate contacts. Minority owned advertising firms, if any, might also be listed. Suggested minimum useage levels, adjusted for different housing programs, development sizes, and geographical areas, should be specified, allowing the developer to propose different useage levels if adequately justified.

2. Signs and Brochures

Standards for the use of the Equal Housing Opportunity insignia and other standards contained in HUD's "Policy Statement on Advertising Guidelines" should be summarized and tips for the use of billboards and distribution of brochures offsite to attract minority applicants should be provided.

3. Community Contacts

A list of all fair housing groups, civil rights groups, housing development corporations, local governmental agencies, and other community contacts which are willing to participate in the Affirmative Marketing Program should be compiled by county and/or housing market area. The list should include a brief paragraph about each organization, who to contact and how, and what services would be provided to a developer. Again, minimum useage levels, allowing for adequately justified variations, should be specified.

4. Anticipated Results

Using income-by-race data available by special run from the Census Bureau and any other information that could be compiled, recommended goals by race and by housing costs levels (i.e., low, moderate and middle) for each housing market area and/or county should be prepared. Developers should be given the option of adopting HUD's recommended goals or proposing other goals with supporting justification.

5. Staffing

Material presently being provided to developers, including sample nondiscriminatory policy statements and copies of Executive Order 11063 and Title VIII of the Civil Rights Act of 1968, should continue to be provided. In addition, HUD should provide copies of applicable state laws and local ordinances, a model staff training program, and instructions regarding what affirmative actions a developer can make, and is expected to make, to recruit minority sales or management personnel.

B. Recommendation: The Area Director and the Equal Opportunity Director should establish a more effective reporting and monitoring system for the Affirmative Marketing Program.

1. The Area Director should provide the Equal Opportunity Division with a reports and control capacity.

A position of Reports Control Clerk should be established within the Equal Opportunity Division. This position would be responsible for preparing reminder and follow-up letters, for preparing and maintaining logs of projects which should be reporting, for receiving, recording and distributing occupancy and sales reports, for screening reports for their accuracy and completeness, for following-up with nonreporting developers, for preparing such consolidated reports as the Equal Opportunity Director should deem useful and for performing such other duties as may be required. Should it not be feasible to establish a new position in the Equal Opportunity Division, then the responsibilities outlined above should be assigned to the other Divisions of the Area Office, adjusting man-year allocations and/or priorities if necessary. The appropriate sections in Operations and Housing Management then should be required to report monthly to the Equal Opportunity Division on which projects are due to report, which have reported, and which are delinquent. Either

way a systematic reports control procedure must be established. A more effective monitoring system cannot be designed unless professional staff in Equal Opportunity have more accurate and timely information and have more of their very limited time released from clerical duties to spend on plan review and project monitoring.

2. The Area Director should establish remedies, which are less severe than debarment, which can be applied against developers who fail to report accurately or in a timely fashion.

Obtaining accurate and timely reports from clients is a difficult and continual problem in all of HUD's programs. It is a particularly difficult task to obtain compliance with reporting requirements by developers who utilize FHA insurance, but who are not receiving grant funds.

Presently, the Equal Opportunity Director has only two remedies when a developer fails to report. He can recommend that a compliance review be conducted which could lead to possible debarment proceedings, a measure which is too extreme for the "crime" to be a credible threat; or he can hold up approval of future Affirmative Marketing Plan submissions. Delaying approval of Plan submissions will only help, however, if (1) a further submission is made and (2) if the timing of the submission coincides with the marketing period of the earlier project. Thus regular checkpoints need to be established at which compliance with reporting requirements can be reviewed for every project.

For the multifamily housing programs, it is recommended that the checklist of documents to be submitted for Final Endorsement be expanded to include a requirement for submission of a copy of the Final Occupancy Report or the latest monthly Occupancy Report (Form HUD-9801), if a Final Occupancy Report is not yet due. The receiving clerk should then detach the Occupancy Report from the other documents submitted for Final Endorsement and forward it to the Equal Opportunity Director. Upon receipt of the Occupancy Report, the Equal Opportunity Director should review his file on the projects and, as appropriate:

- a. close his file on the project;
- b. contact the developer for additional information and/or to require further action; or

- c. notify the Operations Director of the developer's non-compliance with Affirmative Marketing Regulations and request that Final Endorsement be delayed until compliance has been achieved.

For the covered single family insurance programs, it is recommended that a blanket limitation be placed on the percentage of units in a subdivision for which conditional commitments initially will be issued. It is recommended that the blanket limitation be established at between 30% and 50% of the units in the subdivision. (Provision for placing limitations on the number of initial HUD-FHA commitments is contained in Items 7 and 8 of the ASP-9, Pre-Construction Analysis Letter.)

The Assistant Director for Single Family should then notify the Equal Opportunity Director when any covered developer's second request for additional commitments is submitted. Upon receipt of this notification, the Equal Opportunity Director should review the project file and, as appropriate:

- a. advise the Assistant Director that the developer's performance has been satisfactory and that there is no Equal Opportunity objection to issuance of additional commitments;
 - b. contact the developer for additional information and/or to require further action; or
 - c. notify the Assistant Director of the developer's non-compliance with Affirmative Marketing Regulations and request that issuance of further HUD-FHA commitments be delayed until compliance has been achieved.
3. The Equal Opportunity Director should establish priorities for field monitoring of projects by HUD staff.

The results of the evaluation of developers performance indicate that every project should be monitored extensively by HUD, but that goal can not possibly be met given limited staff resources. Thus, the Equal Opportunity Director should establish written priorities (present written "priorities" encompass every project) for selecting projects to be monitored by his staff. A basic priority should be that each new developer's first project is monitored. Since in the first two years of the Affirmative Marketing Program, only 96 single family

developers (excluding those based within the Fresno Service Office's jurisdiction) received approved Affirmative Marketing Plans and only 35 multifamily developers participating in the 3 housing programs reviewed for this Study reached Final Endorsement, such a monitoring objective appears feasible. Other priorities should be established at the Director's discretion (such as monitoring every project and subdivision over 100 units). It is important that such priorities be written and that his staff be instructed in them.

- C. Recommendation: The Area Director and the Equal Opportunity Director should pursue the feasibility of developing areawide Affirmative Marketing Plan agreements with builder groups as opportunities arise but such agreements should not be concluded which do not provide for adequate safeguards.

Areawide Affirmative Marketing Plan agreements were not evaluated as part of the San Francisco Performance Evaluation. The San Diego County agreement was examined in the San Diego Insuring Office's portion of this Study and San Francisco area developers were asked for their reaction to the concept of areawide agreements. San Francisco Bay Area developers presently show little interest in areawide agreements. This attitude could change if the Area Office substantially increased its standards for individual Plans, however, since higher standards would mean more work for the developer to research and write an acceptable Plan. Potentially, areawide agreements can save both HUD and developers much of the time and effort now consumed by writing and reviewing individual Plans, allowing both to concentrate their efforts more on implementation. The experience with an areawide agreement in San Diego, however, clearly shows that such an agreement is not a panacea for solving the Affirmative Marketing Program's problems.

In light of Central Office's established policy in favor of areawide agreements, the Area Director and Equal Opportunity Director should pursue every opportunity to negotiate areawide agreements. No areawide agreements should be concluded, however, which do not take into account the experience noted in the San Diego evaluation. Specifically, they should provide for:

1. an area of coverage which can be adequately managed by the builders group;

2. adequate staff and budget for the builders group to meet its obligations under the agreement;
3. a work plan which has specific goals and milestones against which both the builders group and the Area Office can measure progress; and
4. an agreed upon system of technical assistance and compliance monitoring by the Area Office

D. Recommendation: The Equal Opportunity Division and other appropriate Area Office staff should emphasize to developers that more outreach efforts oriented particularly towards Spanish-surname households are needed.

The impact results of the Region-wide study and the analysis of the Area Office's smaller sample group both indicated that persons of Spanish-surname are perhaps proportionately the most underrepresented minority group in HUD-insured projects and subdivisions. Beyond the general increase in outreach activity that is needed to improve the representation of Blacks and other minority groups, extra efforts designed especially to appeal to Spanish-surname households (such as Spanish language advertisements) are needed, if they are to attain their proportional representation.

E. Recommendation: Developers' Affirmative Marketing advertising should be supplemented by public service advertising by HUD.

Although the Handbook calls for utilization of "normal marketing methods," such methods have been inadequate to improve racial occupancy results to date. It is obvious from the findings of this Study that if the Affirmative Marketing Program is ever going to make a real difference in occupancy results, Affirmative Marketing Plans far greater in scope and ambition than have been tried so far by all but a very few developers will be needed. Since the Affirmative Marketing Regulations apply even to small and medium sized development firms, however, not everyone can afford such extensive marketing programs. In order to compensate for smaller builders' lack of resources, the Area Office should undertake a program of public service advertising. HUD's advertising should not promote particular projects or subdivisions. It should attempt to make the general public aware of the existence of the Affirmative Marketing Program and of the significance and meaning of the Equal Housing Opportunity logotype.

Funds should be sought for an advertising program, but even if funding cannot be secured then the Area Office should seek free advertising time on radio and television stations and free advertising space in newspapers, on billboards, in buses and at BART stations. Other possibilities to promote Affirmative Marketing should be explored. For instance, the Area Director could request to appear on the free public editorial spots offered by local television stations. Producers of locally produced television and radio shows that deal with social issues and those that feature topics of special interest to minority viewers and listeners also could be asked to produce programs on the issue of integrated housing, mentioning Affirmative Marketing. By whatever means, a public service advertising program can be, and should be undertaken.

Special Note: The Area Director should discuss the findings/conclusions and recommendation in this report with the Equal Opportunity Director (and with the Evaluation Team if desired). The Area Director should request that the Equal Opportunity Director prepare a specific work plan for implementing as many of the suggestions herein as he and the Equal Opportunity Director determine can be implemented during the next year. The Area Director should schedule bi-monthly monitoring sessions with the Equal Opportunity Director to review progress and/or problems in implementing that work plan.

CHAPTER III

SAN DIEGO INSURING OFFICE PERFORMANCE EVALUATION

CHAPTER III - SAN DIEGO INSURING OFFICE

PERFORMANCE EVALUATION

INTRODUCTION

Purpose

This evaluation of Affirmative Marketing in the San Diego Insuring Office jurisdiction was undertaken as part of the region-wide study seeking to determine the effectiveness and impact of the Affirmative Fair Marketing Program. In particular, the San Diego portion of the region-wide evaluation was undertaken in order to provide the San Diego Insuring Office with information that would help it to determine:

- How the San Diego Insuring Office could improve HUD procedures and builder compliance in implementing individual Affirmative Marketing plans.
- Whether the San Diego Insuring Office should enter into a second year of a Master Affirmative Marketing agreement with the local builders association (Building Contractors Association), and if so, what changes should be made in HUD and/or builder practices to insure more effective performance.

Background

In addition to the regular Affirmative Fair Housing Marketing Program, which was instituted in February 1972, the SDIO negotiated an area-wide Affirmative Marketing Plan (Master AMP) with the local Building Contractors Association in May of 1973. This plan, which was the second in the nation, provides for Affirmative Marketing coverage for all subdivisions and projects whether conventional, VA or HUD processed of the signatory builders. It requires the local builder's group, BCA, to: 1) to prepare an area-wide plan on behalf of the signatory builders; 2) develop and conduct a training program for the sales staffs of signatory builders; and 3) conduct a general advertising campaign for a given community, as well as other related tasks. Individual builders who are signatory to the Master AMP continue to have all of the same responsibilities as under the individual AMP procedure with the exception of the training and plan preparation requirements.

Methodology

The San Diego portion of the Affirmative Marketing study was designed to collect information on the impact of the individual Affirmative Marketing Plans on the racial composition of projects and subdivisions as compared to that of the census tracts where they are built. The study also collected information about the performance of HUD, builders, community groups and BCA in carrying out their Affirmative Fair Marketing responsibilities. Further, the study sought information regarding the implementation and first-year performance of the Master Affirmative Marketing Plan negotiated between the San Diego Insuring Office and BCA.

The San Diego portion of the study was conducted by non-Equal Opportunity staff persons from the San Diego Insuring Office with support and technical assistance from the Region IX Program Planning and Evaluation staff. Data collected for this study included a review and analysis of HUD files and formal interviews with 46 builder/developers having had experience with the HUD Affirmative Marketing Program. Also, a number of interviews were conducted with local community groups, HUD officials and city and county officials.

Summary of Findings

The major findings of this study may be summarized as follows: 1) Although builder performance has improved in relation to developing individual Affirmative Marketing plans, it is less than satisfactory in such critical respects as marketing and community outreach. Furthermore, there has been little or no compliance with equal opportunity staffing requirements or providing staff training in Affirmative Marketing. 2) The area-wide Affirmative Marketing Plan has resulted in reduced plan preparation costs and processing delays. However, this Master AMP has not been effectively implemented in its first year. The BCA has not carried out its responsibilities under the agreement and individual builders, supposedly freed to pay more attention to marketing outreach, community contacts and staff training are not doing so. 3) HUD has not performed a number of its Affirmative Marketing responsibilities at a very acceptable level. In particular, it has not provided sufficient guidance or standards for helping builders to set meaningful sales goals or establishing effective outreach programs; neither has it followed through with effective monitoring or sanctions for non-compliance.

Organization of the Report

The report is divided into four major sections: The first three deal with Findings and Conclusions concerning: (I) Performance under individual Affirmative Marketing Plans; (II) Performance under the Master Affirmative Marketing Agreement, and (III) HUD performance in assuring builder compliance with the program. Section (IV) contains the Recommendations.

I. INDIVIDUAL AFFIRMATIVE MARKETING PLANS--FINDINGS AND CONCLUSIONS

CONCLUSION NO. 1: Builder performance improved in relation to development of individual Affirmative Marketing Plans, but remains less than satisfactory in marketing outreach and staff training. Large builders appear better able to perform HUD re-ments.

FINDINGS: A. Plan Preparation: In general, the plan statements prepared by builders are adequate, and have improved since the beginning of the program.

The builder is required to submit an affirmative marketing plan to HUD for approval with the original request for HUD/FHA subdivision processing (ASP #1). The typical plan is prepared by a principal in the builder's firm. However, more than half of these plans were not approved (in 1972 and early 1973) and were returned for clarification or additional information which caused delays to the builder. The plan contains the builder's minority sales goals, expressed as both a percentage for all minorities and as a number of homes targeted for the separate ethnic sub-groups. These goals are gauged to census data for sub-market areas within the county.

The San Diego HUD Equal Opportunity Office began furnishing in September of 1972 a completed "prototype" Affirmative Marketing Plan to builders to use as a model when preparing their individual plans. It appears that this may have reduced the number of non-approvals and greatly shortened preparation and processing time.

In recent months, the percentage of plan approvals as first submitted has increased dramatically. The fact that HUD Equal Opportunity officers and many of these builders are now much more familiar with the requirements is probably a major factor in this development.

B. HUD Monthly Sales Reports: Although there was difficulty during the first year of Affirmative Marketing in getting builders to submit accurate and timely sales reports, the situation is now manageable with only a few delinquent reports currently due.

Sales reports are required from builders by HUD, to measure the impact of Affirmative Marketing on target minority groups, and for use as a tool for builders themselves to gauge their own Affirmative Marketing activities.

Builders report that the early reporting procedures were confusing and that HUD instructions were vague. Only a few builders stated that reporting was difficult to comply with. Currently, the HUD reporting form is being revised to overcome early problems. But reporting is still viewed by many builders as a burden rather than a useful tool. Builders have generally complied because HUD monitors this requirement closely and it is relatively easy to accomplish with a minimum of expense.

- C. Marketing and Outreach: Efforts by builders have been minimal and limited directly to those which could be directly monitored by HUD. Community group outreach has been extremely limited.

The builder specifies in the plan the specific outreach methods to be used to reach the stated sales goals and elaborates on the scope and intensity of these actions. Items to be included here are (1) advertising in local, minority or Navy oriented newspapers, (2) bi-lingual advertising, (3) ads on minority oriented radio-TV, (4) direct contact with minority or community citizens' groups, (5) direct mail, (6) solicitation of referrals, or (7) other innovative methods that might be developed. NOTE: The sales process is not considered as part of Staff Training (see Part D, Conclusion No. 2).

Most firms surveyed expend only minimal effort, minimal cash outlay, and produce minimal amounts of outreach materials. Only about half the builders surveyed market their own subdivisions. Most of the larger firms employ their own sales staffs. However, the other, generally smaller building firms, employ a real estate brokerage firm to sell the homes they build. On the whole, HUD Equal Opportunity staff monitoring determined that outreach performance by sales agents is at about the same level of compliance as builders who do their own marketing. In addition, sales agents located in outlying areas do even less. Only two or three firms which do their own marketing can be rated as superior in the use of outreach.

Minority newspapers typically had only three to five subdivision ads per week during a time when 20 to 30 HUD processed subdivisions were on sale, and seldom larger than an eighth of a page in size each. None of the sales brochures are bi-lingual or contain any Spanish phrasing. There have been few integrated human models depicted in printed ads in the metropolitan Union/Tribune, but even so, ads in this paper are more frequent, larger, and of more professional quality than those placed in minority newspapers.

Only five builders record having intensified their outreach efforts in order to reach minority sales goals. However, most cited severe problems with outreach implementation, wasted advertising funds, lack of community cooperation and a general feeling of frustration in meeting the marketing requirements. Most builders do not currently perform adequate marketing outreach, especially, they do not contact community groups in an effort to promote sales. In fact, those community groups surveyed generally stated that they had been unable to help builders to reach the minority membership or clientele.

D. Staff Training: In general, builders have not complied with staff training requirements of affirmative marketing.

Almost all builders stated that either they or their sales agents performed the staff training requirement of the Affirmative Marketing Program at regular weekly or monthly sales meetings with the on-line sales staffs. However, this "training" consists of little more than handing out printed Equal Opportunity regulations, and reading the affirmative marketing plan. Builders have done almost nothing to teach salesmen about "reaching" ethnic minorities. There is no bi-lingual training of existing sales staffs, except that from time to time, non-sales persons (laborers, clerks) are brought into a sales office to translate specific questions Spanish speaking persons may have. However, only 8 of the 46 responding builders felt the need for HUD assistance in training their staffs. The San Diego Equal Opportunity staff has reported participating in only one of these sales meetings.

Builders also have not requested community or minority groups to participate in their training meetings either. No community resource group reported having attended a subdivision sales staff training meeting.

Opening the community through equal opportunity legislation may set the stage for social change. Advertising and outreach to minorities may kindle hopes and foster the search for the new home. But sales people sell homes. This is the critical point in an extremely complex chain of events. The salesperson must be sensitive enough and must have the tools to serve minority homebuyers. Without substantive training, the sales staff will have difficulty in meeting the goals the builder has set in the affirmative marketing plan. Planning and advertising dollars may be wasted.

Often, the training function is a collateral duty of the building firm's Equal Opportunity Officer, who has not had adequate affirmative marketing training himself. The designated Equal Opportunity person within the firm changes frequently. Tenure is often short. Sometimes the position is not responsible enough. It may be assigned to a junior executive with no "clout" or even to a clerk. However, in fairness, for more than half the firms surveyed the responsible Equal Opportunity person was a principal of the firm.

The lack of adequate HUD manpower to monitor sales staff training programs may also contribute to lax compliance with this requirement.

Finally, staff training for affirmative marketing is not a profit oriented activity for the builder. Special kinds of training are an added expense and require allocation of additional time, both for trainer and trainees. Sales results (overall) will probably not be improved by this type of expense. Therefore, builders see no advantage in making special efforts toward staff training.

- E. Equal Opportunity Staffing: There has been no compliance with equal opportunity staffing requirements because (A) The market for new home sales is receding, providing no need for new sales personnel, and (B) Trained minority sales people are in great demand by Real Estate Brokers who deal in existing homes. Many of these brokers are minorities themselves. Selling existing homes is usually more lucrative for sales persons than selling new homes.

On the basis of interviews with the 46 builder firms, it appears there has been no compliance with this HUD requirement. In fact, no additional sales minority persons have been hired. Few builders or sales agents have made overt efforts to recruit minority sales staff for training from "scratch." This type of program has not been tried in San Diego since recruiting from the existing supply of trained sales people and from real estate training schools has always proved to be sufficient. Even when new home sales were booming, during 1971-73, there was no need for builders to develop their own training programs.

The sales commission structure for existing homes is higher than for new homes. This has attracted most qualified minority sales persons, who are in great demand, into existing home sales. Minority real estate brokers operating in areas of high racial minority concentration recruit their sales staffs primarily from the available supply of qualified minority sales persons.

- F. Large Builders 1/ are better able to perform with HUD Affirmative Marketing Requirements than small builders.

1. Large builders experienced lower plan preparation costs per house than smaller builders. This was because of the economy of scale of including more units under the same plan. Large builders cited \$2.00 to \$5.00 per house as the typical plan preparation cost, while smaller builders mentioned sums of \$5.00 to \$25.00.

1/ Only ten of the 46 builders surveyed build more than 1,000 homes per year.

	Total Plan Cost	Per House Plan Cost
Small Builder	\$ 300 - \$1,000	\$5 - \$25
Large Builder	\$1,000 - \$5,000	\$2 - \$ 5

2. Large builders had fewer initial plan disapprovals than small builders. This is due to having technical staff expertise able to deal more effectively with local, state and Federal Government building requirements. This capability was expensive, in some cases, costing thousands of dollars, but cost per house was still lower than those experienced by small builders.
3. Large builders have more direct control of their Affirmative Marketing market outreach and training activities than small builders. Typically, the large builders have their own marketing and sales staffs and thus produce their own ad campaigns, hire and train their own staffs, and send their sales reports directly to HUD. The smaller, more numerous building firms, subordinate their Affirmative Marketing requirements to a sales agent. The sales agent usually draws up the advertising campaign, provides its own sales staff and submits sales reports to the builder. This practice places another layer of responsibility into the Affirmative Marketing process which diminishes the small builder's role. It is evident that of the small builders interviewed many had little knowledge or direct control of the specific activities involved in Affirmative Marketing.

CONCLUSION NO. 2: The requirements for the utilization of community groups and minority newspaper advertising appear to have been less than effective.

FINDINGS:

- A. The community resources have not been very helpful to builders. This issued was found to be the most sensitive and emotionally discussed topic of the evaluation.

Builders are required by HUD Affirmative Marketing regulations to contact community groups in order to reach minority audiences. They must develop a list of appropriate organizations and contact and communicate with them on an individual basis.

1. Builders interviewed felt that community group outreach was by far the most difficult aspect of the Affirmative Marketing Plan to comply with. Seventy-five percent of the builders listed this as "the most difficult," and 19 of the 46 builders listed community group outreach as the "most unproductive" method for reaching minority groups. Builders report being coldly or rudely treated, failures in personal and/or written communication, and they cite failure of community groups to act on or follow through on promises. Builders also note that these groups never approach the builder, but rely on the builder to solicit them. Some builders complain of not being able to find compatible community groups to work with.
2. Community groups interviewed feel that they are not geared to sell new houses for profit-making firms; that, in fact, they are committed to work on more critical basic housing needs such as (1) housing counseling, (2) low cost rentals, (3) forbearance on mortgage defaults, (4) landlord-tenant disputes, (5) low cost existing homes, (6) housing for the elderly/handicapped/poor. Most community groups in San Diego have limited funding or exist for a specific purpose and are not housing oriented. There is little or no coordination of their efforts with each other relative to affirmative marketing. Some groups report being contacted by builders but have not been able to help them. Others report initial contact from builders, but don't hear from them again.

A few groups reported that they welcome builder contact and perform the service of information distribution that is usually requested.

Opinions vary greatly as to the effectiveness of outreach efforts by builders, but most community groups, themselves, feel that other types of outreach such as public service advertising are far more effective toward selling homes to minorities.

Community groups do agree that builders have not contacted them in the numbers or in the intensity they would need to set up a viable "aid in sales" program for their memberships/clients. They also report that printed material furnished by builders has no direct appeal to minorities and is not presented personally or accompanied by a direct invitational letter. Rather, what builders do provide is often sent by mail with little explanation or no cover letter at all. The groups contacted stated that very few builders do even this much.

There has been almost no attempt by community groups to work with builders to develop more appealing sales literature or to furnish bilingual phrasing or translation.

Some community organizations also feel that HUD has let them down, and that HUD Central and Regional offices especially are insensitive to local conditions. They cite "grandstanding" by HUD officials, who come to San Diego to sign plans or dedicate projects, but who offer little tangible support such as funding and manpower resources for Affirmative Marketing. Some groups say that the local HUD Equal Opportunity staff isn't dealing effectively with Affirmative Marketing problems - perhaps from a lack of direction or support from their own offices. The San Diego Equal Opportunity staff does enjoy high personal regard, however, for their individual dedication and interest in community problems.

3. The study concludes the use of community groups has not been an effective way of promoting Affirmative Marketing. This requirement is in most serious need of improvement in concept, implementation and coordination. It is significant that there has been no improvement in any aspect of community outreach in two years of Affirmative Marketing. The poor performance of the builders has been compounded by the lack of resources of community groups.

B. Minority Advertising appears to have been of little value in attracting minority buyers.

Most advertising in minority media was placed in two newspapers, El Papel, serving the Mexican-American minority, and the Voice-Viewpoint, serving the Negro minority. Both papers are widely distributed and read within their respective communities. Twenty builders stated that they had placed ads in one of these newspapers at least once in the past two years.

1. Builders feel that minority advertising was the "most unproductive" off all outreach methods used, and nearly half felt this type of outreach was "very difficult" to comply with. Cost of the advertising was cited as the main reason for difficulties. While much lower costing per column inch than advertising in the majority newspaper, the cost was deemed to be without noticeable benefit by the builders. Some builders dropped this method of outreach from their plans after one or two ads because they felt results had been poor and the money was, therefore, being wasted. Only three builders felt that ads in the Voice-Viewpoint had shown good results and were productive. Most others were not aware of results from ads in these newspapers, but continued to advertise to please HUD.

It appears builders feel advertising dollars spent with the majority Union/Tribune* to be more effective in helping them to reach minorities. In fact, 21 of the 46 builders felt this was the best way to advertise for minority buyers. They felt that minorities were part of the general public which, when they are in the market for a new home, read the major daily newspaper.

2. Community Groups feel that ads in minority newspapers had not generated increased minority buyers because of the low frequency, intensity (size), and quality of the ads so far. In their opinion, these ads do generate interest from the target groups and indicate that a general feeling of "welcome" is being communicated through this type of advertising, and would like to see an increase in advertising outreach. They are not sure, however, how many actual sales may be generated by these ads.

They also felt that advertising could be more direct by including direct outreach techniques to minority buyers in the larger San Diego Union real estate advertising section. Public Service advertising was also highly rated as a technique to advance the "Balanced Community" concept. HUD, they felt, should be doing much more of this public service kind of advertising. Builders should develop bigger and better ads and try to make minorities feel "welcome." They felt there is a need for more bi-lingual advertising by both builders and by HUD, even if only a few words in a mostly English language ad or newspaper.

3. HUD Equal Opportunity officers stated that it has been difficult to get builders to place intensive ads in minority newspapers on a regular basis. They feel this is the intent of the regulation and that the question of ad quality is of secondary importance. (Does it really reach the minority groups?) In fact, the Equal Opportunity staff stated that ad quality has not been a concern during monitoring because the primary needs of regularity

*daily San Diego newspaper

and intensity are the only measurable aspects of the requirements. However, the Equal Opportunity staff did comment that the failure of builders to use integrated models in the majority paper was a significant factor in the general ineffectiveness of minority advertising.

The HUD Equal Opportunity staff sees a need for more HUD initiated public service advertising and more HUD sponsored promotion of the balanced community concept. But, support resources furnished by HUD Region IX are extremely limited. There is now only one TV "spot" available. It was developed locally on an informal basis on the initiative of a local TV station employee and a HUD staff person. Such backdoor methods, while perhaps commendable, certainly cannot bear the burden of any serious commitment to assault this problem.

Radio and TV ads are not required of individual builders since this is not a normal marketing practice and these media are seldom used in selling new homes in San Diego.

4. The study concludes that, based on interviews and a review of ads, it is difficult to assess the direct impact of minority advertising media. However, based on a review of the ads in both majority and minority newspapers, there has been little direct appeal to the target groups since almost all ads were small, poorly timed, lacked depiction of integrated models and/or were not graphically sophisticated or aesthetic. While it is true that builders have expended some advertising monies, their message to minorities just wasn't there, either in minority or majority media. But, builders have had little incentive to make special advertising efforts to sell homes to any special group of buyers since home sales were excellent during 1972 and 1973, and most homes were sold before construction was completed.

Although the advertising sales staff of the Voice/Viewpoint has offered to help builders to develop more pleasing outreach oriented advertising copy, few builders have used this service. This newspaper also solicits ad sales directly from builders but reports little response in advertising orders placed.

CONCLUSION NO. 3: Some HUD procedures impede implementation of Individual Marketing Plans.

FINDINGS:

- A. The setting of minority sales goals has been confusing and time consuming for builders.
 - 1. Nearly half the builders interviewed reported that they didn't really know what HUD wanted or would be satisfied with. Goals were set by HUD staff (14 cases) or the builder just guessed (five cases) when stating sales goals in the Affirmative Marketing plan.
 - 2. Builders cited "how to set goals and at what level" as a difficult problem in preparing the individual Affirmative Marketing Plan. Twenty-five builders stated they had HUD staff help to prepare the plan in order to get approval.
 - 3. If builders did not submit goals acceptable to HUD, the plans were returned unapproved. This procedure was time consuming as builders had to do additional research, guess again, or call HUD for the acceptable answers.
- B. Builders are required to submit Individual Affirmative Marketing Plans too early during subdivision processing (ASP procedure).

A major complaint of builders is that the plan must be submitted too early during subdivision processing. Many aspects of the proposed subdivisions are not "firmed" until the later ASP #6/7 stage, such as price range, number of homes, neighborhood amenities, etc.

Because of these possible changes in the character of the proposed subdivision:

1. Builders tend to submit very general, vague and unspecific Affirmative Marketing plans.
2. Builders tend to alter these plans after HUD approval, by performing marketing outreach differently, or on a modified scale.

It is felt by builders that the Affirmative Marketing Plan should be submitted at the later, more substantive ASP #6/7 stage rather than at the nebulous ASP #1 application stage.

The study also concludes that problems may be largely avoided if HUD effected a modification in the plan submission requirement.

II. MASTER AFFIRMATIVE MARKETING PLAN -- FINDINGS AND CONCLUSIONS

The Master Affirmative Marketing Plan (Master AMP) has resulted in reduced plan preparation costs and processing delays; and it has the additional advantages over individual Affirmative Marketing plans of expanding coverage to conventionally produced housing and of including a provision to produce public service advertising. Although a true measurement of impact results is not yet possible, the builder group has not implemented its responsibilities under the provisions of the agreement with HUD, and individual builders are still performing only minimal market outreach.

The Master AMP differs from Individual Affirmative Marketing plans in that, under the Master AMP, the builder group is responsible for planning and community outreach requirements. Individual builder signers perform the market outreach, staff training and reporting functions only. Under the individual AMP, each builder performs all of these requirements.

Of the 46 builders surveyed, 24 are signers of the Master AMP. This represents a substantial portion of the total list of 25 builders who have signed to date. Twenty of the 24 surveyed signers also had processed subdivisions with individual affirmative marketing plans.

CONCLUSION NO. 1: Savings realized improved builder morale.

FINDINGS:

- A. Time Savings have been substantial. Signers report receiving HUD Equal Opportunity approval within three or four days of their application. This represents a time savings of from five days to a month for the typical builder. Not one Master AMP builder reported a delay in the approval of his proposal because of affirmative marketing. Three builders felt more pressures to work on builder group committees and therefore were not able to cite overall savings in time.

Twenty of the 24 Master AMP builders surveyed expressed high hopes that the Master AMP agreement would be of some personal benefit to them. Most of those surveyed also felt the Master AMP would be a more productive form of Affirmative Marketing and/or would create a better image for the building industry.

- B. Cash Savings have been even more dramatic. Plan preparation costs have been cut from a typical \$500 to \$1,000 per plan to almost nothing, since in signing the agreement, the builder agrees to the Master Affirmative Marketing Plan on file. He now pays the builder group \$1 or \$2 per house to cover administrative costs. Since the average submission for subdivision processing is about 50 homes, this means a cost of \$50 or so per submission. Only one builder (a large national firm) felt the Master AMP was more expensive than Individual Affirmative Marketing.
- C. Red Tape Savings are tremendous. Under Master AMP the individual builder has no plan to file, no minority sales goals to set, and no racial statistics to research, no preparation or typing time to provide for.

CONCLUSION NO. 2: The memorandum of Understanding has the projected benefits to the community over Individual Affirmative Marketing Plans of covering conventional sales and providing for a public service advertising campaign.

FINDINGS:

- A. The Master AMP provides for Affirmative Marketing and monitoring for not only government insured housing, but for conventionally produced housing as well. This is because all housing developed by signatory builder firms are covered by the agreement. During seven months of operation 1,306 homes have been processed under the Master AMP; 1,226 of these were HUD processed and 80 conventionally processed. It is expected that the amount of conventionally produced housing included under Master AMP will increase as the list of signers expands.
- B. The Master AMP provides for the builder group to initiate a public service advertising campaign which will promote the concept of "balanced communities."

This expands upon the requirements of individual builders to perform outreach advertising of particular subdivisions. In addition, this requirement would lead to an improvement of public awareness toward fair housing ideals, as public service

advertising performed by the builder group will be in addition to advertising outreach performed by the individual builders.

CONCLUSION NO. 3: A true measurement of the effects of Master AMP as an improvement to Affirmative Marketing is not yet possible.

FINDINGS:

- A. Impact Data - Although the Master AMP was operational in May, 1973, reporting aspects of the plan did not become finalized until February, 1974.

Because of this factor and the normal building phase of subdivisions which may be six months of HUD processing, six months building time and an additional six month to one year of sales; impact data is just now becoming available. Therefore, a comparison of impact data from individual AMP and Master AMP is not yet possible.

- B. Builder Performance Data - Nearly all Master AMP signers stated that they had little or no actual operating experience under the new plan. They were not able to cite comparisons between their ability to perform under individual AMP'S and the Master AMP.

Most seemed optimistic and felt they could probably perform better Affirmative Marketing under the Master AMP concept. No specific reasons for this general feeling were mentioned, but builders under Master AMP are now free from preparing plans and community outreach.

CONCLUSION NO. 4: The builder group (Building Contractor's Association) has not implemented its responsibilities under the provisions of the memorandum of understanding (Master AMP); however the builder group was victimized at least in part because of over self-confidence and HUD oversell.

Under provisions of the Master AMP, the San Diego Building Contractor's Association was to assume many of the responsibilities formerly distributed

among the separate builders as parts of their individual affirmative marketing plans. They were also to assume some of HUD's minor functions in exchange for freedom of action and self direction.

FINDINGS:

A. These builder group responsibilities have not been met.

1. The builder group has not provided or furnished adequate builder group staff time to meet its contractual commitments under the Master AMP, as agreed.

BCA currently allocates about ten percent of one staff member's time for Master AMP needs. All BCA actions have been slow in materializing (i.e., the advertising campaign has not yet started; the community resource board is not viable; builder staff training has not been pursued). All these items could be substantially improved with more effort from BCA staff in planning and coordinating the activities of Master AMP signers.

2. The builder group has not established an adequate financial base to carry on activities requiring the expenditures of other than petty cash funds, as agreed. The schedule of fees is too low to produce meaningful outreach. The Builder Group now collects one dollar per house each signer builds whether HUD insured or conventional, or two dollars per house if the signer is not a member of the Building Contractor's Association (BCA). The total volume of new homes built in 1973 in San Diego County was approximately 11,000 living units. The current operating fund is \$1,386 after 7 months. This represented fees collected for 1,226 homes at one dollar and 80 homes at two dollars. This means a sophisticated, sustained advertising campaign requiring heavy monthly or quarterly expenditures cannot be supported sufficiently by such low revenue provisions. This is especially true in view of the declining number of housing starts during 1974.

3. The builder group does not maintain a fully updated list of community and social organizations concerned with open housing, as agreed. They have tried. It is reasonable to accept the contention of BCA that a fully updated list is a difficult if not impossible task to compile. Minority and community organizations come into and go out of existence almost daily. Leadership changes are frequent. A catalogue could name 200 or more groups. Most of these are totally unsuitable for marketing outreach assistance. Compiling, ranking and altering this list would be prohibitive in time and expense.
4. The builder group has not established a viable Community Resource Board, as agreed, and has not taken steps to assure comprehensive participation by the Resource Board in BCA AMP committee deliberations.

A nucleus of approximately ten community groups has been identified as most active in housing for minorities within San Diego County. BCA cannot reach agreement with these groups on the form or stature the Community Resource Board should have. BCA desires the board to be advisory. Most of the groups involved would favor a participatory role in Master AMP policy formulation. This and other differences has effectively scuttled the first attempts to establish the Board. BCA has not actively sought a new promotion of this concept.

The study concludes that this issue should be resolved.

5. The builder group has not developed a "sustained advertising campaign to develop awareness among market homeseekers," as agreed. Nor has the builder group solicited or generated public service advertising in mass media concerning equal opportunity housing or balanced neighborhoods," as agreed. BCA has established a committee made up of Master AMP signers to pursue this goal. However, the committee has met only once in six

months in full strength. The purposes and powers of the committee are not clear and there is no current plan of operation. BCA has not coordinated the activities of this committee to comply with the agreement with HUD/VA. The committee's lack of action may be partially tied to a lack of advertising funds.

6. It has not performed adequate monitoring of Affirmative Marketing activities, as agreed. There seems to be a misunderstanding, between the BCA and HUD, of the agreement on this point. BCA feels HUD is responsible for monitoring the actions of the individual signers. HUD points to provisions in the Memorandum of Understanding for BCA to develop a "system of monitoring...to provide HUD, VA with exact frequency and value of the BUILDER GROUP advertising campaign." There is a gap here since HUD is speaking to the monitoring of the individual signer's activities, while BCA has agreed actually only to monitor and report in writing (implied) on its own advertising and publicity campaigns. It is very clear, however, that HUD has received no formal reports from BCA at all concerning BCA Affirmative Marketing activities. This is evidence that there is a lack of monitoring by BCA as required by the agreement.
7. The builder group has not provided enough positive leadership in coordinating training activities of employees of signatory companies, as agreed. There have been a few (irregular) training sessions for the Equal Opportunity officers of the signer firms. The Equal Opportunity officer of the Builder Group has made a good individual effort to implement this part of the agreement, but perhaps because of the lack of time allowed by the firm, pursuit of training needs has not progressed satisfactorily.

8. The builder group does not solicit additional signers to the Memorandum of Understanding. Although not a contractual requirement of the Memorandum of Understanding, it was expected that the Builder Group would actively solicit additional signers to the agreement. The Builder Group does readily accept applicant firms, both from within the BCA and from among non-members, but there is no membership drive.

B. The Builder Group was a victim of over self-confidence and HUD oversell.

As noted before, the builder group embarked upon the grand scheme of comprehensive Affirmative Marketing, planning, advertising, training, coordinating, monitoring, and reporting with less than one full time staff person and with no funds. After nearly a year of effort, little has been accomplished and certainly the terms of the agreement have not been met. HUD bears some responsibility for this situation. The Memorandum of Understanding was conceived as a panacea for HUD problems, community problems and builder problems experienced under the individual Affirmative Marketing Plan system. HUD did not emphasize to builder signers that their individual market outreach, staff training, and reporting responsibilities would remain in force, and that only the planning and community board outreach requirements would be assumed by the Builder Group. HUD also did not impress upon the Builder Group the realization of the needed resources, both time and money, needed for "start-up," and then for on-going operations. Needs were simply underestimated by HUD. Even the projected time savings for HUD were eroded by factors previously cited.

CONCLUSION NO. 5: Builders are still performing only minimal marketing outreach, community resource contact, and staff training.

It was anticipated at the inception of Master AMP that savings in builder's staff resources due to joint preparation of the Affirmative Marketing plan for BCA would free the builder to concentrate on the remaining Affirmative Marketing responsibilities.

There is conversely, no indication of increased commitment to these other AMP responsibilities. HUD monitoring activities indicate only minimal compliance by most Master AMP signers in one year of Master AMP experience. This is the same rate of compliance during the two years previous to Master AMP. Also, there are no noticeable Affirmative Marketing performance differences between Individual AMP builders and Master AMP builders.

CONCLUSION NO. 6: Equal Opportunity staff time saved should have been significant.

About ninety percent of individual plan reviewing time is now being saved because of Master AMP. It was expected that this saved time could be allotted to other Equal Opportunity activities such as Title VIII Fair Housing complaints, In-House Equal Opportunity, and Contract Compliance, but this has not been the case. Time expended in Affirmative Marketing activities other than plan reviews is up substantially. First, HUD monitoring and training activities are being greatly increased. Secondly, HUD responsibility now extends to a large number of conventionally produced homes, since signers of the Memorandum of Understanding have agreed to perform Affirmative Marketing for all homes they build, HUD insured or not.

CONCLUSION NO. 7: The community benefits from Master AMP in that the City of San Diego now makes Affirmative Marketing by builders a legal requirement, and San Diego County is also considering adoption of a similar requirement.

FINDINGS:

- A. The City of San Diego now requires builders to perform Affirmative Marketing for all new living units built within the city limits in subdivisions of 20 or more.

This ordinance was enacted largely due to the efforts of local HUD Equal Opportunity staff work on the Master AMP. The City saw that a similar plan, enacted as a law, would be instrumental in achieving its touted "Balanced Community" racial and economic integration concept. Since the ordinance is just becoming effective, there is no significant operational data available.

- B. The County of San Diego is considering an ordinance which would require Affirmative Marketing on all subdivisions of 40 or more units in unincorporated areas.

This policy is being pursued in answer to the City of San Diego action, as the County is also interested in improving the racial and economic balance of residential areas. The added impetus of local laws in this field shows that HUD is not alone in its concern for Equal Opportunity in housing.

III. HUD'S AFFIRMATIVE MARKETING RESPONSIBILITIES -- FINDINGS AND CONCLUSIONS

CONCLUSION: HUD has not performed a number of its Affirmative Marketing responsibilities at an acceptable level.

FINDINGS:

- A. What Builders Want - From the beginning of Affirmative Marketing until late 1972, HUD did not offer assistance to builders with their individual Affirmative Marketing plans. Since then, the San Diego Equal Opportunity staff have answered builders inquiries and helped them with their individual plans. Eight builders indicated that sales goals should be set by HUD rather than being required to guess what goals might be acceptable, and thus risk disapproval of the plan and delay of processing. A few builders would like HUD to make more specific outreach suggestions. This, they feel, might make their advertising dollar go further.
- B. What Community Groups Want - Community groups feel that (1) HUD should implement its commitments to Affirmative Marketing more impressively, (2) more Public Service advertising and more contact with community groups is needed, (3) HUD should monitor the program more closely to insure builder compliance, (4) HUD should also encourage closer cooperation between builders and community organizations by being more available to solve problems that may arise.
- C. What HUD Equal Opportunity staff wants - The Equal Opportunity staff feels more manhours should be expended toward giving builders and community groups the aid they want and need. Additional manhours have not been made available from HUD Region IX. Also, additional funding is needed for Public Service advertising and course materials for builder's sales staff training. The San Diego Insuring Office Equal Opportunity staff feels there is also a need for HUD supplied pre-printed logos, slogans and Equal Opportunity statements in sizes appropriate for newspaper advertising. The local Equal Opportunity staff also felt that HUD Region Equal Opportunity has not been supportive with compliance reviews which are needed when sanctions for major violations of Affirmative Marketing regulations

should be applied. Local Equal Opportunity staff, in brief, desires to improve service, but feels constrained by imposed restrictions.

D. The study concludes that many of these points are valid.

1. HUD Has not been candid enough with builders about goal setting, and should be doing more to help builders set their individual sales goals with suggestions for advertising campaigns with "more bang for the buck."
2. HUD has not been helpful enough with specific suggestions for special advertising outreach methods or with pre-printed graphic aids for logos and slogans.
3. HUD has not implemented a strong public service advertising campaign to promote equal housing opportunities.
4. HUD has not been able to bring builders and community groups together.
5. HUD has not provided effective sanctioning within the existing apparatus for violations of Affirmative Marketing requirements by builders, and has not supported the local HUD Equal Opportunity staff in this respect. There are no means by which local Equal Opportunity staff can sanction builders directly for minor violations of Affirmative Marketing regulations, and compliance reviews of major builder violations requested of HUD Region Equal Opportunity by the local HUD Equal Opportunity staff have not been made.

IV. RECOMMENDATIONS

A. Individual Affirmative Marketing Plan Recommendations

Based on the findings from the San Diego Study, the following recommendations are made in order to improve the performance of HUD and its client builders in implementing the Affirmative Fair Housing Market Regulations through individual plans.

1. The San Diego Insuring Office Equal Opportunity Director should establish optimal Affirmative Marketing racial sales goals for each sub-market area and for each price range in the office's jurisdiction. The goals information should be used as advice to builders in helping them set goals for their individual projects and should be provided to them in the preapplication package. In the long run, detailed information on income by race by submarket area, to aid in preparing these goals should be developed by the Regional Equal Opportunity Staff.
2. The San Diego Insuring Office Director, with the assistance and support of Regional Equal Opportunity and Public Affairs Officer should develop a series of effective model advertisements consistent with the provisions of the Policy Statement, "Advertising Guidelines for Fair Housing" (App. 7, Handbook 8030.2, rev., Implementation of Affirmative Fair Housing Marketing Regulations), which can be used directly by builders or as models for builders both in minority and general newspaper outreach. These models should be developed in several sizes, depict integrated models, including Spanish language phrasing, and be visually appealing.
3. The San Diego Insuring Office Equal Opportunity Director should develop a system for monitoring the frequency, size and quality of advertisements in both minority and majority newspapers. Further, the San Diego Insuring Office Equal Opportunity Director should request Regional Equal Opportunity to conduct a study to determine if advertising in fact increases minority awareness and generates additional sales.
4. The San Diego Insuring Office Equal Opportunity Director should prepare for publication in minority newspapers, a list of all HUD processed subdivisions and newly constructed projects currently in the sales/rental phase. This list should include at a minimum the name of the subdivision/project; its location and the price/rental range of the houses.

5. The San Diego Insuring Office should continue to encourage builders to use minority newspapers for outreach, including the use of Spanish language phrasing, when the advertising aids referred to in Recommendation No. 2 above are available.
6. The San Diego Insuring Office Equal Opportunity Director, in cooperation with the Regional Equal Opportunity Office and the Building Contractors Association (BCA) should develop and present a training program on Affirmative Marketing for sales staffs and builders for both Master AMP and individual AMP builders. This training should be the responsibility of HUD only for the first year. This training should:
 - Increase the awareness of the sales staff to the special outreach required for minorities;
 - Train sales staff in the special credit needs of minorities;
 - Go beyond the teaching of equal housing laws and Affirmative Marketing Plan provisions by presenting special sales techniques and skills related to minority sales programs.
7. The San Diego Insuring Office Director, in order to reduce the present time gap between plan preparation and implementation should forward a request to Regional Equal Opportunity that Central Office reconsider the time at which AMP Plans are submitted. The proposed change would be that single family Individual Affirmative Marketing Plans be submitted at the ASP #6/7 stage of subdivision processing rather than submitted with ASP #1. Approval should be moved to ASP #9.

B. Master Affirmative Marketing Plan (AMP) Recommendations

Based on the findings from the San Diego Study, the following recommendations are made in order to improve the performance of HUD, its client builders and the Building Contractors Association in implementing the Affirmative Fair Housing Market program through the Master AMP.

1. The San Diego Insuring Office Director should negotiate a second year Master AMP with the Building Contractors Association and other interested parties. However, HUD should

actually sign the agreement only if the following actions, as a minimum, are included:

- a. BCA should prepare and include as part of the Master AMP agreement a work program of all action items agreed to by HUD and BCA. The work program should indicate supporting actions, start dates, end dates, staff and monetary requirements necessary to accomplish each major task. BCA should also prepare an overall budget to support these items as an attachment to the work program.
 - b. BCA should raise the basic fee to an amount which will adequately support the Master AMP agreement. Plans should also be included for assigning sufficient staff resources to implement the agreement.
 - c. BCA should employ the staff and budget needed to address the deficiencies in BCA performance under the present agreement as noted in the evaluation report, such as the viable Community Resource Board, a public service advertising campaign, a narrative reporting system to HUD, a sales staff training program which is recommended to be initiated this year by HUD, see Recommendation No. 6, Part A, and others.
 - d. BCA should develop an organized campaign to expand the list of signers to the agreement in order to build the commitment to balanced neighborhoods.
2. The San Diego Insuring Office Equal Opportunity Director should install on a demonstration basis an effective monitoring system for determining if minority sales goals are being met during the construction and sales phases.
- a. The Equal Opportunity Staff should develop an appropriate monitoring form, or checklist, which should enable HUD construction inspectors to determine from the builder's sales office records whether or not the builder is making progress toward meeting his minority sales goals during sales.
 - b. The HUD construction inspectors, as part of their Affirmative Marketing monitoring call, should use this form to perform the monitoring function with the builder on HUD projects only. These calls should extend through the end of the construction phase. All additional monitoring should be performed by the Equal Opportunity Staff.

- c. The Equal Opportunity Staff should develop an automatic "goal reminder" letter for sending to builders who appear to be not sufficiently meeting their minority sales goals, which would be triggered by the results of the construction inspector's report and regular Equal Opportunity staff monitoring.
- 3. The San Diego Insuring Office Director, in conjunction with the Equal Opportunity Director, should perform an in-house evaluation of the effectiveness of the provisions of the Master AMP as a prerequisite to yearly renegotiation of the agreement. The findings and conclusions of this evaluation should serve as the basis for recommendations proposing modifications in the Master AMP to the BCA and VA.
- 4. The San Diego Insuring Office and BCA should develop a range of alternatives to be used in the event of non-compliance with the agreement.

APPENDIX

Multiple Regression Results
and
Other Supporting Tables

for

Chapter I - Impact of AMP in Region IX

MULTIPLE REGRESSION PROCESS AND RESULTS

Since the weight of the impact findings in Chapter I rest heavily upon the results of the analysis generated by the statistical technique of multiple regression analysis, the technique and its results are described here in greater detail than was possible or appropriate in the body of the report.

Multiple regression analysis is a technique for computing at the same time both the strength and form of a relationship between one variable, in this case minority in a project or subdivision, and several other variables which might be causing the variation in that percentage. (The variable to be explained is usually referred to as the "dependent variable," and those which are hypothesized to explain its variation, the "independent variables.") Other statistical techniques which have been used in previous PP&E studies, such as table analysis, usually allow the evaluator to examine the relationship between only two variables at a time. Since the impact study sought to determine the effect of Affirmative Fair Marketing on the percent minority in a project or subdivision, and since there was considerable evidence to indicate that percent minority was also affected by several other variables, such as the presence of subsidy, and the extent and type of minority in the neighborhood, multiple regression was decided upon as the most appropriate technique. One of the values of regression analysis is that it can assign relative weights to each of these variables as to how they affect the minority population in the project/subdivision so that the relative importance of each can be determined.

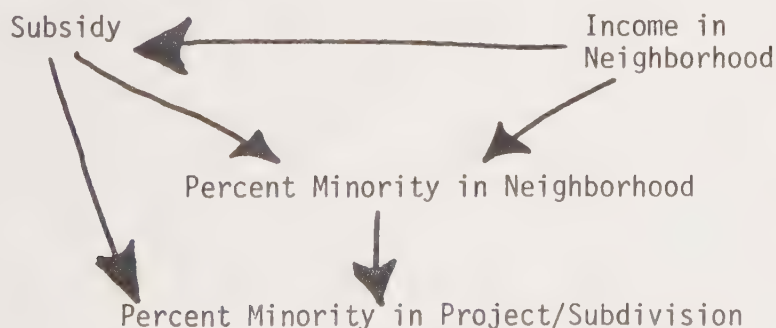
There are three measures which are important in interpreting the results of the regression equation: the R Square, the Beta Coefficient and the Sigma Beta. The following paragraphs will describe each one of these measures.

R Square: Before describing the relationship that different variables have on minority participation in a project or subdivision, and their relative importance to each other, it is important to estimate how complete the inquiry has been into the identification of those factors that affect the independent variable--percent minority participation. A useful measure of this is the R Square statistic (R^2). This number measures that proportion of the variable--in this study the minority population of projects or subdivisions--which can be accounted for or "explained" by the other variations that have been put into the equation. It has values along a line from 0 to 1. As variables which are causally related to the variable subject to explanation are added to the regression equation, the R^2 will increase. Normally, in studies of this type, an R^2 of .5 or over should be expected in order to insure that the right kind of causal structure has been identified. In this study, the R^2 's ranged from approximately .5 to .7 for the statistics concerning minority in the subdivisions or projects, which is extremely high for a social science study.

Beta Coefficient: Once the total strength of the independent variables and their effect upon the dependent variable has been determined by means of the R^2 's, it is necessary to examine the comparative strength of the effect of each of these independent variables being used to explain the percent minority in the project. The beta coefficient is a measure that is useful to do this. It varies from minus 1 to plus 1, and represents the same units for each variable.

Sigma Beta: It is possible, however, to obtain beta coefficients that are not statistically significant. That is, a measure that is true for only five cases out of a thousand, or 20 cases out of a 100 can be obtained. Normally, a variable has no statistically significant effect unless that result can be obtained 95 or 99 times out of 100. A sigma beta measures the error of the beta coefficient. To be statistically significant at the 95 percent or 99 percent level, the beta coefficient has to be at least twice and preferably three times larger than the sigma beta. Though lower, less reliable standards can be used, this was the measure of statistical significance applied in this study. Accordingly, for this Impact Study, those findings which have been accepted as significant are statistically significant at greater than a 99% level. This means that the findings would be due to chance only 1% of the time. Those findings which have been rejected as not significant were done so at the 50% level which is a level that would never be used because this means that we would have obtained the results by chance 50% of the time. The findings of this study were either clearly statistically significant or clearly insignificant.

As noted in Chapter I, models were developed for both the single family and multifamily studies that attempted to explain the minority population of the subdivision/project. These models are based on the assumption that the minority population is affected indirectly by a number of factors, as well as directly. The final model looked like this:¹



¹ The Field Office variable was deleted when it proved to be statistically insignificant.

For multifamily, AMP was also part of the model, with an arrow leading into the percent minority in the project.

As the above figure indicates, there are three variables which are "caused" by one or more variables. Each one of these variables can be treated as a dependent variable, and can be explained by a regression equation, with the other variables treated as independent variables. Therefore, there are three regression equations, that is, three sets of results for each model. By the nature of regression analysis, the R^2 's will necessarily be smaller as the distance from the major dependent variable, whose variation is being explained, is increased.

Because different races are not ordered on any kind of scale, it was not possible to run only one model. Accordingly, for both the single family and multifamily studies four different subsets of the model were run--one with the figures for "total" percentage minority in the project, and in the neighborhood, another for Black, one for Spanish and finally, one for all "other" minorities.

The results of the regression are given in two places. Tables 2 through 9 in this Appendix give the full statistics for each equation, while Figures 1 and 2 show the results in a more graphic and understandable manner.

There are two aspects of the regression which were particularly important to the findings: The effect of the Affirmative Marketing Program and the effect of location. The following paragraphs will describe how the regression produced these results.

Affirmative Marketing's Effect: If AMP had had any effect at all, this effect would be indicated by comparing the beta coefficient with its standard error, the sigma beta. As mentioned above, if the beta coefficient is greater by at least two times, and to be more certain greater than three times the standard error, then it can be stated that AMP had a statistically significant effect upon the percentage of minority in the project. If the beta was less than twice as large as the standard error, AMP cannot be considered to have had any kind of significant effect upon the minority population in the project.

The results of the regression analysis indicated that the effect of Affirmative Marketing was not statistically significant. The beta of "total" minority, Black, Spanish speaking and "other" is not even close to being twice the size of its standard error. In fact, for both Black and "other" minority, the standard error was larger than the beta.

Table 1

Multifamily Projects in Region IX: Effect of AMP Status
on Different Racial Groups As Shown by the Beta Coefficient
Compared To Its Standard Error

Racial Category	Beta	(Sigma Beta) Standard Error of Beta
Total Minority	.035	.028
Black	.008	.024
Spanish	.046	.033
Other	.024	.034

Source: Adapted by HUD, Region IX, from Form 9801, July 1, 1973

Hence it may be concluded, before even considering the strength or relative importance of the other variables postulated to effect minority participation in the projects, that AMP by itself, has had no effect upon the minority participation of a multifamily project, be it subsidized or unsubsidized, located in a minority area or not.

Location's Effect: One of the most striking findings of the data was the importance of location upon the racial and ethnic composition of the project or subdivision. The extent and kind of minority in a neighborhood explained a great deal of the variation in the minority population of the project or subdivision -- that is, the R^2 statistic was quite high. As can be seen in Figures 1 and 2, the R Square ranges from between .43 and .70 for single family and from .37 to .69 for the multifamily data. In both cases, the R Square for percent Black in the project or subdivision was the highest (.69 and .70 for the multifamily and single family respectively), and the lowest for percent "other" minority (.37 and .43 percent).

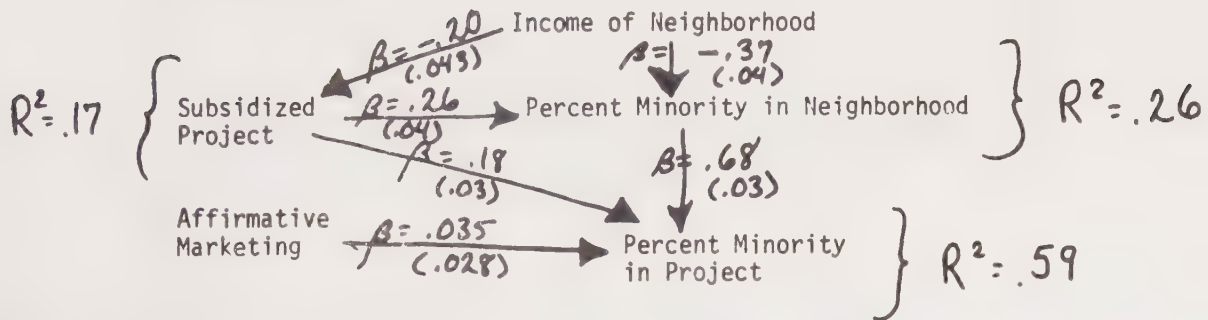
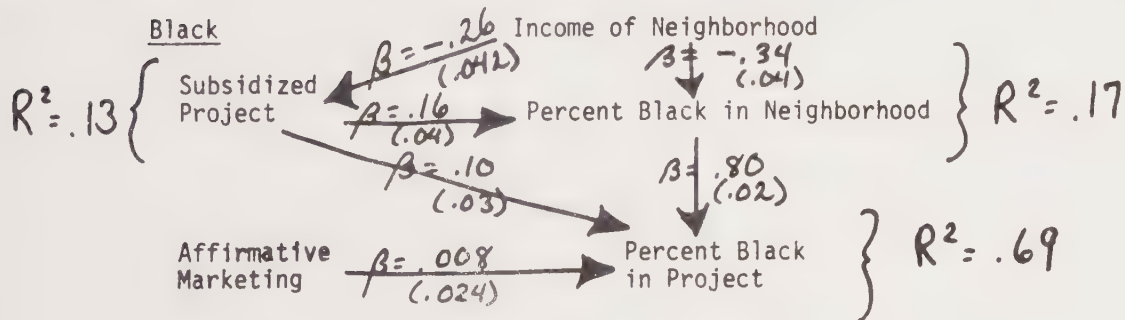
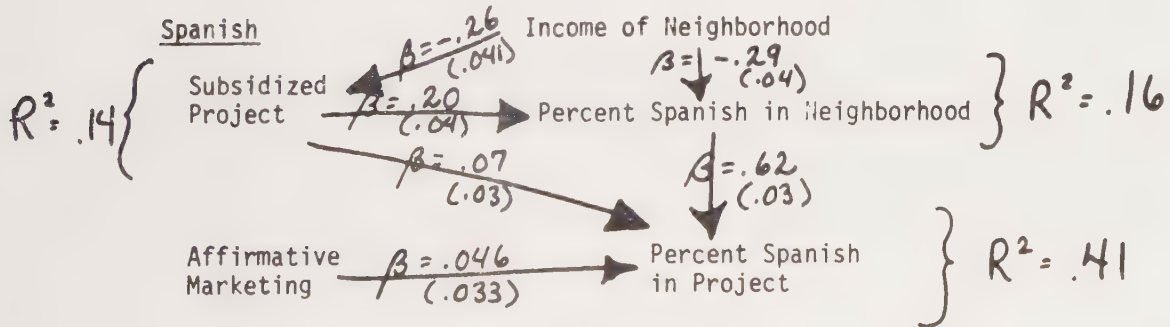
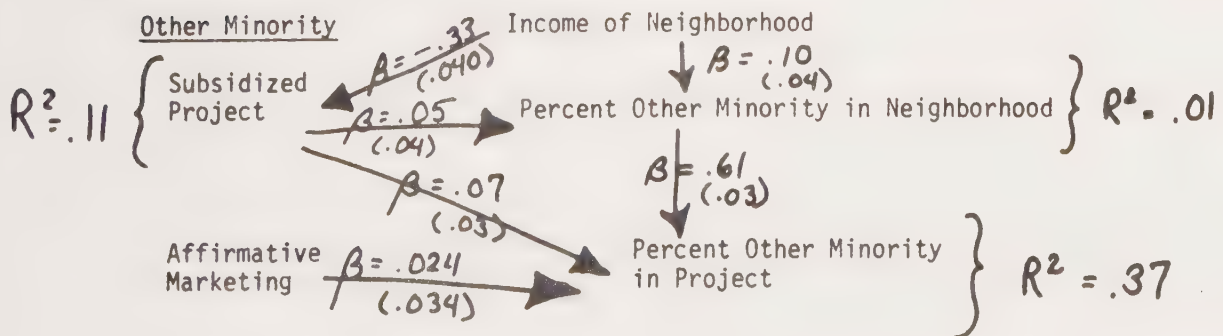
In addition, the neighborhood racial and ethnic composition had a powerful effect upon the minority population of the project or subdivision -- that is, the beta coefficient was considerably higher than any of the other factors which had an effect upon the minority population.¹ For single family, the beta coefficient for the relationship between minority in the subdivision and the neighborhood was the largest for Blacks with a .82, as compared to .06 for the effect of the subsidy. For Spanish, the beta coefficient for minority in the neighborhood was .49, as compared to .41 for the subsidy. For other minority, these figures were .67 for neighborhood and -.07 for subsidy. For multifamily, again, the beta coefficient was the largest for Blacks in the project, with a .80 as compared with .10 for the effect of the subsidy, and the statistically insignificant .008 for the effect of AMP. For Spanish, the beta coefficient for neighborhood was .62, as compared to .07 for the effect of the subsidy, and for other minority the figures were .61 for neighborhood, and .07 for the subsidy.

The following section contains more tables with more detailed findings for the regression equations. It also contains tables on racial distributions which were referenced in Chapter I of the report.

¹ It can also be seen that the beta coefficients in question were more than statistically significant. All of them were more than three times the size of their standard error, that is, their sigma beta.

Figure 1

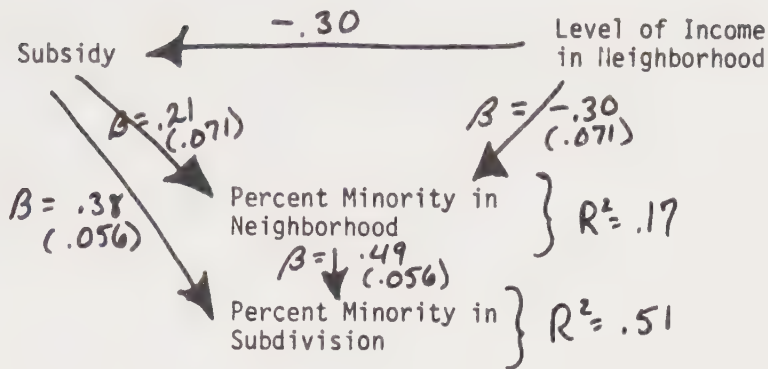
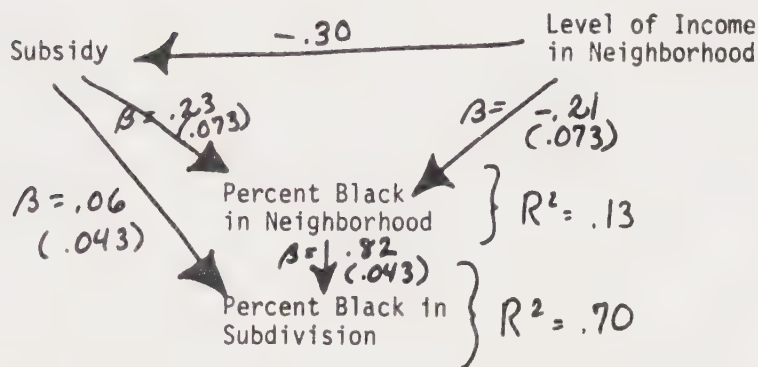
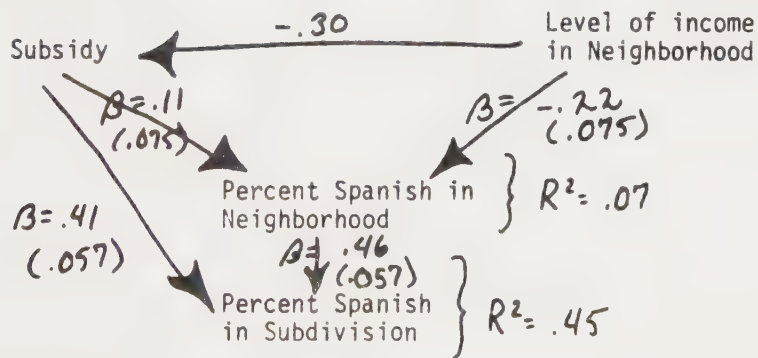
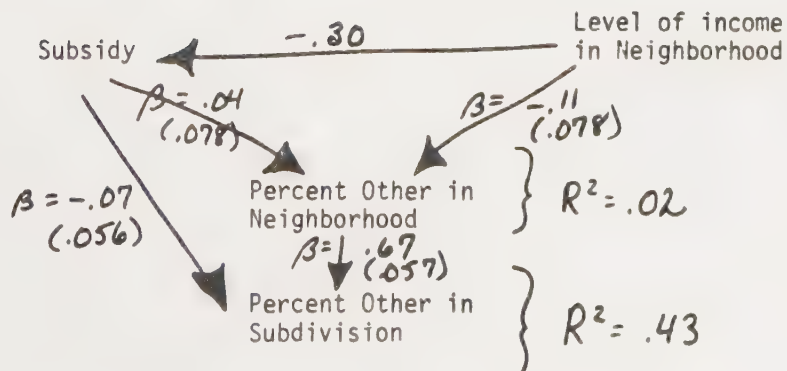
MULTIFAMILY REGRESSION RESULTS

Total MinorityBlackSpanishOther Minority

*Figures in parentheses are the standard deviation figures, i.e., the sigma beta.

Figure 2

SINGLE FAMILY REGRESSION FINDINGS

TOTAL
MINORITYBLACKSPANISHOTHER

Tables of Regression Results
and
Additional Racial and Ethnic Distributions

Table 2

MULTIFAMILY STUDY: REGRESSION RESULTS
 REGRESSION STATISTICS FOR TOTAL MINORITY IN PROJECTS AND
 TOTAL MINORITY IN NEIGHBORHOODS WHERE SUBDIVISIONS ARE
 LOCATED

Total Minority

Dependent Variable: Total Minority in Project

Regression Statistics				
Independent Variables	B	SIGMA(B)	BETA	SIGMA(BETA)
AMP Status (1=yes, 0=no)	.46608E+01	.37153E+01	.35004E-01	.27903E-0
Subsidy (1=yes, 0=no)	.11578E+02	.19443E+01	.17932E+00	.30114E-0
Percent Minority in Neighborhood	.79928E+02	.35017E+01	.68025E+00	.29802E-0

STANDARD ERROR OF ESTIMATE	20.7123252
F RATIO FOR THE REGRESSION	258.657
MULTIPLE CORRELATION COEFFICIENT	.76848
FRACTION OF EXPLAINED VARIANCE (RSQD)	.59055
RESIDUAL DEGREES OF FREEDOM (N-K-1)	538
CONSTANT TERM	1.1152802

Dependent Variable: Total Minority in Neighborhood

Regression Statistics				
Independent Variables	B	SIGMA(B)	BETA	SIGMA(BETA)
Subsidy (1=yes, 0=no)	.14079E+00	.20894E-01	.25621E+00	.38025E-0
Income of Neighborhood	-.32166E-04	.33346E-05	-.36679E+00	.38025E-0

STANDARD ERROR OF ESTIMATE	.2364510
F RATIO FOR THE REGRESSION	101.415
MULTIPLE CORRELATION COEFFICIENT	.51164
FRACTION OF EXPLAINED VARIANCE (RSQD)	.26177
RESIDUAL DEGREES OF FREEDOM (N-K-1)	572
CONSTANT TERM	.5184021

Table 3

MULTIFAMILY STUDY: REGRESSION STATISTICS
 REGRESSION STATISTICS FOR PERCENT BLACK IN PROJECTS AND
 IN NEIGHBORHOODS WHERE SUBDIVISIONS ARE LOCATED

Black

Dependent Variable: Total Black in Project

Regression Statistics				
Independent Variables	B	SIGMA(B)	BETA	SIGMA(BETA)
AMP Status (1=yes, 0=no)	.98353E+00	.29585E+01	.80411E-02	.24188E-01
Subsidy Status (1=yes, 0=no)	.62242E+01	.14905E+01	.10494E+00	.25131E-01
Percent Black in Neighborhood	.10866E+03	.33923E+01	.79660E+00	.24870E-01

STANDARD ERROR OF ESTIMATE 16.5158383
 F RATIO FOR THE REGRESSION 402.686
 MULTIPLE CORRELATION COEFFICIENT .83155
 FRACTION OF EXPLAINED VARIANCE (RSQD) .69148
 RESIDUAL DEGREES OF FREEDOM (N-K-1) 539
 CONSTANT TERM 4.0850184

Dependent Variable: Total Black in Neighborhood

Regression Statistics				
Independent Variables	B	SIGMA(B)	BETA	SIGMA(BETA)
Subsidy Status (1=yes, 0=no)	.70357E-01	.17486E-01	.16181E+00	.40216E-01
Income of Neighborhood	-.23274E-04	.27907E-05	-.33539E+00	.40216E-01

STANDARD ERROR OF ESTIMATE .1978826
 F RATIO FOR THE REGRESSION 60.348
 MULTIPLE CORRELATION COEFFICIENT .41742
 FRACTION OF EXPLAINED VARIANCE (RSQD) .17424
 RESIDUAL DEGREES OF FREEDOM (N-K-1) 572
 CONSTANT TERM .2692475

Table 4

MULTIFAMILY STUDY: REGRESSION STATISTICS
 REGRESSION STATISTICS FOR PERCENT SPANISH IN PROJECTS AND
 IN NEIGHBORHOODS WHERE SUBDIVISIONS ARE LOCATED

Spanish

Dependent Variable: Total Spanish in Project

Regression Statistics				
Independent Variables	B	SIGMA(B)	BETA	SIGMA(BETA)
AMP Status (1=yes, 0=no)	.28662E+01	.20869E+01	.45639E-01	.33230E-01
Subsidy Status (1=yes, 0=no)	.21248E+01	.10578E+01	.69774E-01	.34737E-01
Percent Spanish in Neighborhood	.65949E+02	.36628E+01	.61919E+00	.34390E-01
STANDARD ERROR OF ESTIMATE			11.6434320	
F RATIO FOR THE REGRESSION			129.003	
MULTIPLE CORRELATION COEFFICIENT			.64683	
FRACTION OF EXPLAINED VARIANCE (RSQD)			.41838	
RESIDUAL DEGREES OF FREEDOM (N-K-1)			538	
CONSTANT TERM			-1.8330991	

Dependent Variable: Total Spanish in Neighborhood

Regression Statistics				
Independent Variables	B	SIGMA(B)	BETA	SIGMA(BETA)
Subsidy Status (1=yes, 0=no)	.56233E-01	.11578E-01	.19667E+00	.40495E-01
Income of Neighborhood	-.13399E-04	.18478E-05	-.29363E+00	.40495E-01
STANDARD ERROR OF ESTIMATE			.1310258	
F RATIO FOR THE REGRESSION			55.594	
MULTIPLE CORRELATION COEFFICIENT			.40342	
FRACTION OF EXPLAINED VARIANCE (RSQD)			.16275	
RESIDUAL DEGREES OF FREEDOM (N-K-1)			572	
CONSTANT TERM			.2378273	

Table 5

MULTIFAMILY STUDY: REGRESSION STATISTICS
REGRESSION STATISTICS FOR "OTHER MINORITY" IN PROJECTS AND IN
NEIGHBORHOODS WHERE SUBDIVISIONS ARE LOCATED

Other Minority

Dependent Variable: Total Other Minority in Project

Regression Statistics				
Independent Variables	B	SIGMA(B)	BETA	SIGMA(BETA)
AMP Status (1=yes, 0=no)	.10130E+01	.14063E+01	.24850E-01	.34499E-01
Subsidy Status (1=yes, 0=no)	.13110E+01	.68193E+00	.66328E-01	.34500E-01
Percent Other Minority in Neighborhood	.45300E+02	.25537E+01	.60567E+00	.34144E-01

STANDARD ERROR OF ESTIMATE	7.8446518
F RATIO FOR THE REGRESSION	106.834
MULTIPLE CORRELATION COEFFICIENT	.61101
FRACTION OF EXPLAINED VARIANCE (RSQD)	.37333
RESIDUAL DEGREES OF FREEDOM (N-K-1)	538
CONSTANT TERM	1.3322776

Dependent Variable: Total Other Minority in Neighborhood

Regression Statistics				
Independent Variables	B	SIGMA(B)	BETA	SIGMA(BETA)
Subsidy Status (1=yes, 0=no)	.14356E-01	.11634E-01	.54321E-01	.44023E-01
Income of Neighborhood	.44939E-05	.18567E-05	.10655E+00	.44023E-01

STANDARD ERROR OF ESTIMATE	.1316587
F RATIO FOR THE REGRESSION	3.038
MULTIPLE CORRELATION COEFFICIENT	.10252
FRACTION OF EXPLAINED VARIANCE (RSQD)	.01051
RESIDUAL DEGREES OF FREEDOM (N-K-1)	572
CONSTANT TERM	.0114673

Table 6

SINGLE FAMILY STUDY: REGRESSION STATISTICS
FOR TOTAL MINORITY IN SUBDIVISIONS AND TOTAL MINORITY IN
NEIGHBORHOODS WHERE SUBDIVISIONS ARE LOCATED

Total Minority

Dependent Variable: Total Minority in Subdivision

Regression Statistics				
Independent Variables	B	SIGMA(B)	BETA	SIGMA(BETA)
Subsidy (1=yes, 0=no)	.18955E+02	.27679E+01	.38091E+00	.55623E-01
Percent Minority in Neighborhood	.60313E+00	.68022E-01	.49319E+00	.55623E-01

STANDARD ERROR OF ESTIMATE	14.5001458
F RATIO FOR THE REGRESSION	91.080
MULTIPLE CORRELATION COEFFICIENT	.71217
FRACTION OF EXPLAINED VARIANCE (RSQD)	.50718
RESIDUAL DEGREES OF FREEDOM (N-K-1)	177
CONSTANT TERM	6.2893800

Dependent Variable: Total Minority in Neighborhood

Regression Statistics				
Independent Variables	B	SIGMA(B)	BETA	SIGMA(BETA)
Subsidy (1=yes, 0=no)	.86627E+01	.28901E+01	.21289E+00	.71025E-01
Income of Neighborhood	-.16905E-02	.40187E-03	-.29878E+00	.71025E-01

STANDARD ERROR OF ESTIMATE	15.3035309
F RATIO FOR THE REGRESSION	20.117
MULTIPLE CORRELATION COEFFICIENT	.42265
FRACTION OF EXPLAINED VARIANCE (RSQD)	.17864
RESIDUAL DEGREES OF FREEDOM (N-K-1)	185
CONSTANT TERM	35.6676377

Table 7

SINGLE FAMILY STUDY: REGRESSION STATISTICS
 FOR BLACK IN SUBDIVISIONS AND BLACK IN NEIGHBORHOODS
 WHERE SUBDIVISIONS ARE LOCATED

Black

Dependent Variable: Percent Black in Subdivisions

Regression Statistics				
Independent Variables	B	SIGMA(B)	BETA	SIGMA(BETA)
Subsidy (1=yes, 0=no)	.12537E+01	.89779E+00	.59878E-01	.42378E-01
Percent Black in Neighborhoods	.83727E+00	.43873E-01	.81829E+00	.42878E-01

STANDARD ERROR OF ESTIMATE 4.7364666
 F RATIO FOR THE REGRESSION 210.623
 MULTIPLE CORRELATION COEFFICIENT .83843
 FRACTION OF EXPLAINED VARIANCE (RSQD) .70296
 RESIDUAL DEGREES OF FREEDOM (N-K-1) 178
 CONSTANT TERM 1.5361553

Dependent Variable: Percent Black in Neighborhood

Regression Statistics				
Independent Variables	B	SIGMA(B)	BETA	SIGMA(BETA)
Subsidy (1=yes, 0=no)	.47090E+01	.14938E+01	.23012E+00	.73000E-01
Income of Neighborhood	-.60630E-03	.20772E-03	-.21308E+00	.73000E-01

STANDARD ERROR OF ESTIMATE 7.9100409
 F RATIO FOR THE REGRESSION 14.105
 MULTIPLE CORRELATION COEFFICIENT .36374
 FRACTION OF EXPLAINED VARIANCE (RSQD) .13231
 RESIDUAL DEGREES OF FREEDOM (N-K-1) 185
 CONSTANT TERM 8.1807945

Table 8

SINGLE FAMILY STUDY: REGRESSION STATISTICS
FOR SPANISH IN SUBDIVISIONS AND SPANISH IN NEIGHBORHOODS
WHERE SUBDIVISIONS ARE LOCATED

Spanish

Dependent Variable: Percent Spanish in Subdivision

Regression Statistics				
Independent Variables	B	SIGMA(B)	BETA	SIGMA(BETA)
Subsidy (1=yes, 0=no)	.16755E+02	.22972E+01	.41335E+00	.56674E-01
Percent Spanish in Neighborhood	.71495E+00	.88573E-01	.45747E+00	.56674E-01

STANDARD ERROR OF ESTIMATE	12.4541826
F RATIO FOR THE REGRESSION	73.013
MULTIPLE CORRELATION COEFFICIENT	.67235
FRACTION OF EXPLAINED VARIANCE (RSQD)	.45206
RESIDUAL DEGREES OF FREEDOM (N-K-1)	177
CONSTANT TERM	-.4664442

Dependent Variable: Percent Spanish in Neighborhood

Regression Statistics				
Independent Variables	B	SIGMA(B)	BETA	SIGMA(BETA)
Subsidy (1=yes, 0=no)	.29326E+01	.19498E+01	.11307E+00	.75176E-01
Income in Neighborhood	-.80318E-03	.27111E-03	-.22271E+00	.75176E-01

STANDARD ERROR OF ESTIMATE	10.3242764
F RATIO FOR THE REGRESSION	8.024
MULTIPLE CORRELATION COEFFICIENT	.28253
FRACTION OF EXPLAINED VARIANCE (RSQD)	.07982
RESIDUAL DEGREES OF FREEDOM (N-K-1)	185
CONSTANT TERM	21.1888160

Table 9

SINGLE FAMILY STUDY: REGRESSION STATISTICS
FOR OTHER MINORITY IN SUBDIVISIONS AND OTHER MINORITY IN NEIGHBORHOODS
WHERE SUBDIVISIONS ARE LOCATED

Other Minority

Dependent Variable: Percent Other Minority in Subdivision

Regression Statistics				
Independent Variables	B	SIGMA(B)	BETA	SIGMA(BETA)
Subsidy (1=yes, 0=no)	-.14760E+01	.12048E+01	-.68989E-01	.56311E-01
Percent Other Minority in Neighborhood	.68177E+00	.57730E-01	.66500E+00	.56311E-01

STANDARD ERROR OF ESTIMATE	6.6487985
F RATIO FOR THE REGRESSION	69.764
MULTIPLE CORRELATION COEFFICIENT	.66289
FRACTION OF EXPLAINED VARIANCE (RSQD)	.43942
RESIDUAL DEGREES OF FREEDOM (N-K-1)	178
CONSTANT TERM	3.4960663

Dependent Variable: Percent Other Minority in Neighborhood

Regression Statistics				
Independent Variables	B	SIGMA(B)	BETA	SIGMA(BETA)
Subsidy (1=yes, 0=no)	.92994E+00	.16212E+01	.44561E-01	.77686E-01
Income of Neighborhood	-.31768E-03	.22543E-03	-.10943E+00	.77686E-01

STANDARD ERROR OF ESTIMATE	8.5845916
F RATIO FOR THE REGRESSION	1.633
MULTIPLE CORRELATION COEFFICIENT	.13171
FRACTION OF EXPLAINED VARIANCE (RSQD)	.01735
RESIDUAL DEGREES OF FREEDOM (N-K-1)	185
CONSTANT TERM	6.7365139

Single Family Study: Table 10

Percent Black by Field Office for Their Jurisdiction, for the Census Tracts In Which The Subdivisions Processed in 1973 Are Located, and of the Subdivisions Themselves

	% Black in Jurisdiction	% Black in Census Tract in Which Subdivisions Are Located	% Black in Subdivision
Los Angeles AO	10.2%	1.0%	3.7%
San Francisco AO	6.7%	3.1%	4.6%
Phoenix IO	3.0%	1.9%	2.9%
Reno IO	5.7%	0.2%	1.1%
San Diego IO	4.5%	0.4%	2.0%
Santa Ana IO	1.7%	3.0%	4.2%
Honolulu IO	1.0%	0.0%	0.0%
Region IX	6.5%	2.3%	3.7%

Source: Department of Housing and Urban Development, Region IX, Form 935.1, 1973. Summary Manpower Indicators, Region IX, Manpower Administration, U.S. Department of Labor, June 1972, from the 1970 U.S. Census.

Single Family Study: Table 11
(Percent Spanish same as Table 10)

	% Spanish in Jurisdiction	% Spanish in Census Tracts in Which Subdivision is Located	% Spanish in Subdivision
Los Angeles AO	19.6%	12.3%	15.4%
San Francisco AO	14.5%	19.8%	14.8%
Phoenix IO	18.8%	10.5%	8.1%
Reno IO	5.6%	3.0%	1.8%
San Diego IO	14.6%	10.9%	7.0%
Santa Ana IO	12.8%	11.5%	13.7%
Honolulu IO	3.0%	.8%	.4%
Region IX	15.2%	12.6%	12.2%

Source: Same as Table 10

Single Family Study: Table 12
(Percent Other same as Table 11)

	% Other in Jurisdiction	% Other in Census Tracts	% Other in Subdivision
Los Angeles AO	3.8%	2.1%	5.8%
San Francisco AO	5.3%	4.2%	8.0%
Phoenix IO	6.4%	1.6%	1.5%
Reno IO	2.6%	3.8%	2.7%
San Diego IO	3.3%	1.6%	6.8%
Santa Ana IO	2.1%	1.7%	3.2%
Honolulu IO	60.2%	66.4%	64.0%
Region IX	6.0%	3.3%	5.5%

Source: Same as Table 10

Multifamily Study: Table 13
PERCENT SPANISH IN NEIGHBORHOODS WHERE PROJECTS
ARE LOCATED, BY SUBSIDY STATUS AND FIELD OFFICE

Field Office	Race by Location	% Spanish in Jurisdiction	% Spanish in All Neighborhoods Where Projects Are Located	% Spanish in Neighborhoods Where Subsidized Projects Are Located	% Spanish in Neighborhoods Where Unsubsidized Projects Are Located
Los Angeles AO		19.6%	19.7%	23.4%	9.4%
San Francisco AO		14.5%	13.0%	15.7%	10.9%
Phoenix IO		18.8%	18.0%	23.6%	12.0%
Reno IO		5.6%	5.2%	7.1%	4.0%
Sacramento IO		10.2%	11.7%	15.4%	9.8%
San Diego IO		14.6%	18.3%	19.8%	13.0%
Honolulu IO		3.0%	2.5%	3.1%	1.7%
Region IX		15.2%	14.3%	18.3%	9.9%

Source: Summary Manpower Indicators, Region IX, Manpower Administration, U.S. Department of Labor, June 1972, from the 1970 U.S. Census, as adapted by HUD, Region IX, 1974.

Multifamily Study: Table 14

PERCENT OTHER MINORITY IN NEIGHBORHOODS WHERE
PROJECTS ARE LOCATED, BY SUBSIDY STATUS AND
FIELD OFFICE

Field Office	Race by Location	% Other in Jurisdiction	% Other in All Neighborhoods Where Projects Are Located	% Other in Neighborhoods Where Subsidized Projects Are Located	% Other in Neighborhoods Where Unsubsidized Projects Are Located
Los Angeles AO		3.8%	3.6%	4.0%	2.3%
San Francisco AO		5.3%	4.4	4.8%	4.2%
Phoenix IO		6.4%	1.9%	2.0%	1.8%
Reno IO		2.6%	1.8%	1.2%	2.2%
Sacramento IO		4.2%	3.4%	3.2%	3.5%
San Diego IO		3.3%	4.0%	4.0%	3.8%
Honolulu IO		60.2%	65.5%	57.5%	77.9%
Region IX		6.0%	6.1%	6.3%	5.8%

Multifamily Study: Table 15

MEAN INCOME OF NEIGHBORHOOD OF SECTION 236 SUBSIDIZED
PROJECTS AND SECTION 207 and 221(d)(4) UNSUBSIDIZED
PROJECTS BY FIELD OFFICE* IN REGION IX

	Mean Income in Subsidized Neighborhoods	Mean Income in Unsubsidized Neighborhoods	Mean Income of Neighborhoods- All Projects	Mean Income of the Jurisdiction
Los Angeles AO	7,905	9,796	8,413	10,824
San Francisco AO	8,272	10,730	9,627	9,022
Phoenix IO	8,604	9,356	8,966	9,127
Reno IO	9,390	12,196	11,035	10,282
Sacramento IO	8,442	9,676	9,273	N.A.
San Diego IO	8,273	9,466	8,535	8,335
Honolulu IO	9,397	13,665	11,067	10,201
Region IX	8,298	10,368	9,284	9,779

Source: U.S. Census, 1970. Figures are for All Families and Unrelated Individuals.

*Santa Ana figures are included in the LAAO figure.



Multifamily Study: Table 16

RACIAL DISTRIBUTION OF 207, 236 and 221(d)(4) PROJECTS
AND NEIGHBORHOODS IN WHICH THEY ARE LOCATED IN REGION IX
BY FIELD OFFICE JURISDICTION*

Ethnic Categories Field Office	Total Minority	Black	Spanish	Other
<u>Project</u>				
Los Angeles AO	49.0%	31.2%	13.8%	3.7%
San Francisco AO	32.6%	20.1%	8.2%	4.3%
Phoenix IO	19.9%	7.8%	8.4%	3.8%
Reno IO	24.0%	18.2%	3.2%	2.6%
Sacramento IO	16.7%	8.5%	5.1%	3.0%
San Diego IO	25.5%	8.1%	14.2%	3.2%
Honolulu IO	43.1%	6.4%	3.0%	33.3%
Projects	31.0%	17.2%	8.9%	4.8%
<u>Neighborhood</u>				
Los Angeles AO	38.4%	15.2%	19.7%	3.6%
San Francisco AO	29.5%	12.1%	13.0%	4.4%
Phoenix IO	23.3%	3.4%	18.0%	1.9%
Reno IO	18.6%	11.5%	5.2%	1.8%
Sacramento IO	18.0%	2.9%	11.7%	3.4%
San Diego IO	24.7%	2.5%	18.3%	4.0%
Honolulu IO	68.6%	6.0%	2.5%	65.5%
Neighborhoods**	29.4%	9.0%	14.3%	6.1%
Regional Average***	27.7%	6.5%	15.2%	6.0%

Source: Department of Housing and Urban Development: Region IX, Form 9801, July 1973.
Summary Manpower Indicators, Region IX, Manpower Administration, U.S.
Department of Labor, June 1972, from the U.S. Census, 1970.

* Santa Ana figures are subsumed in the LAAO figure.

** This represents the average ethnic composition of all those census tracts in which HUD projects are located, unweighted by differences in sizes of census tracts.

*** This is the average ethnic composition of every location in the four states which comprise Region IX.

